

1962

# Regulation S-X: form and content of financial statements as in effect July 15, 1962

United States. Securities and Exchange Commission

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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON 25, D. C.

# REGULATION S-X

UNDER THE  
SECURITIES ACT OF 1933  
SECURITIES EXCHANGE ACT OF 1934  
PUBLIC UTILITY HOLDING COMPANY ACT OF 1935  
AND  
INVESTMENT COMPANY ACT OF 1940

## Form and Content of Financial Statements

AS IN EFFECT JULY 15, 1962



THIS REGULATION IS PUBLISHED IN THE CODE OF FEDERAL  
REGULATIONS AS TITLE 17, PART 210. THUS RULE 1-01 OF THIS  
REGULATION IS DESIGNATED IN THE CODE AS 17, CFR 210.1-01.

UNITED STATES  
GOVERNMENT PRINTING OFFICE  
WASHINGTON : 1962

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## **PREFACE**

This regulation (together with the Accounting Series Releases) states the requirements applicable to the *form* and *content* of financial statements. The instructions as to what financial statements are required to be filed are contained in the form prescribed for the respective registration statement, application for registration, or report.

Attention is directed to the General Rules and Regulations, under each of the acts, which contain certain rules of a general nature applicable to this regulation, particularly rules defining terms and rules prescribing the mode of printing and physical presentation of matter to be filed with the Commission.

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## ARTICLE 1. APPLICATION OF REGULATION S-X

### Rule 1-01. Application of Regulation S-X.

(a) This regulation (together with the Accounting Series Releases) states the requirements applicable to the form and content of all financial statements required to be filed as part of—

(1) Registration statements under the Securities Act of 1933, filed on form S-1, S-2, S-3, S-4, S-5, or S-6, except as otherwise specifically provided in such forms;

(2) Applications for registration of securities under the Securities Exchange Act of 1934, filed on form 8-A, 8-B, 10 or 14;

(3) Supplemental or periodic reports under section 13 of the Securities Exchange Act of 1934 filed on form 8-K, 10-K, 14-K, 16-K, or U5-S;

(4) Supplemental or periodic reports under section 15 (d) of the Securities Exchange Act of 1934, filed on form 8-K, 10-K, 2-MD, 4-MD, or U5-S; and

(5) Registration statements and annual reports filed under the Public Utility Holding Company Act of 1935 by public utility holding companies registered under such Act; and

(6) Registration statements and annual reports under the Investment Company Act of 1940.

(b) The term “financial statements” as used in this regulation shall be deemed to include all supporting schedules.

### Rule 1-02. Definitions of Terms Used in Regulation S-X.

Unless the context otherwise requires, terms defined in the General Rules and Regulations or in the instructions to the applicable form, when used in regulation S-X, shall have the respective meanings given in such instructions or rules. In addition the following terms shall have the meanings indicated in this rule unless the context otherwise requires:

**Affiliate.**—An “affiliate” of, or a person “affiliated” with, a specified person, is a person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, the person specified.

**Bank holding company.**—The term “bank holding company” means a person which is engaged, either directly or indirectly, primarily in the business of owning securities of banks, for the purpose and with the effect of exercising control.

**Control.**—The term “control” (including the terms “controlling,” “controlled by” and “under common control with”) means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a person, whether through the ownership of voting securities, by contract, or otherwise.

**Equity security.**—The term “equity security” means any stock or similar security; or any security convertible, with or without consideration, into such a security, or carrying any warrant or right to subscribe to or purchase such a security; or any such warrant or right.

**Fifty-percent owned person.**—The term “fifty-percent owned person” means a person in respect of which the registrant owns directly or indirectly approximately 50% of the voting securities and approximately 50% of the voting securities of such person is owned directly or indirectly by another single interest.

**Majority-owned subsidiary.**—The term “majority-owned subsidiary” means a subsidiary more than fifty percent of whose outstanding securities representing the right, other than as affected by events of default, to vote for the election of directors, is owned by the subsidiary’s parent and/or one or more of the parent’s other majority-owned subsidiaries.

**Material.**—The term “material,” when used to qualify a requirement for the furnishing of information as to any subject, limits the information required to those matters as to which an average prudent investor ought reasonably to be informed before purchasing the security registered.

**Parent.**—A “parent” of a specified person is an affiliate controlling such person directly, or indirectly through one or more intermediaries.

**Principal holders of equity securities.**—The term “principal holders of equity securities,” used in respect of a particular registration statement or report, means the persons named in the item of such statement or report calling for holders of record or beneficial owners of more than 10 percent of any class of equity securities. If the particular statement or report contains no such item, the term means the persons named in the most recent related registration statement, application or report of the registrant which contains such an item.

**Registrant.**—The term “registrant” means the issuer of the securities for which an application, a registration statement, or a report is filed.

**Significant subsidiary.**—The term “significant subsidiary” means a subsidiary meeting any one of the following conditions:

(a) The assets of the subsidiary, or the investments in and advances to the subsidiary by its parent and the parent’s other subsidiaries, if any, exceed 15 percent of the assets of the parent and its subsidiaries on a consolidated basis.

(b) The sales and operating revenues of the

subsidiary exceed 15 percent of the sales and operating revenues of its parent and the parent’s subsidiaries on a consolidated basis.

(c) The subsidiary is the parent of one or more subsidiaries and together with such subsidiaries would, if considered in the aggregate, constitute a significant subsidiary.

**Subsidiary.**—A “subsidiary” of a specified person is an affiliate controlled by such person directly, or indirectly through one or more intermediaries.

**Totally-held subsidiary.**—The term “totally-held subsidiary” means a subsidiary (a) substantially all of whose outstanding securities are owned by its parent and/or the parent’s other totally-held subsidiaries, and (b) which is not indebted to any person other than its parent and/or the parent’s other totally-held subsidiaries, in an amount which is material in relation to the particular subsidiary, excepting indebtedness incurred in the ordinary course of business which is not overdue and which matures within one year from the date of its creation, whether evidenced by securities or not.

## ARTICLE 2. CERTIFICATION

### Rule 2-01. Qualifications of Accountants.

(a) The Commission will not recognize any person as a certified public accountant who is not duly registered and in good standing as such under the laws of the place of his residence or principal office. The Commission will not recognize any person as a public accountant who is not in good standing and entitled to practice as such under the laws of the place of his residence or principal office.

(b) The Commission will not recognize any certified public accountant or public accountant as independent who is not in fact independent. For example, an accountant will be considered not independent with respect to any person or any of its parents or subsidiaries in whom he has, or had during the period of report, any direct financial interest or any material indirect financial interest; or with whom he is, or was during such period, connected as a promoter, underwriter, voting trustee, director, officer, or employee.

(c) In determining whether an accountant may in fact be not independent with respect to a

particular person, the Commission will give appropriate consideration to all relevant circumstances, including evidence bearing on all relationships between the accountant and that person or any affiliate thereof, and will not confine itself to the relationships existing in connection with the filing of reports with the Commission.

### Rule 2-02. Accountants’ Certificates.

(a) **Technical requirements.**—The accountant’s certificate shall be dated, shall be signed manually, and shall identify without detailed enumeration the financial statements covered by the certificate.

(b) **Representations as to the audit.**—The accountant’s certificate (i) shall state whether the audit was made in accordance with generally accepted auditing standards; and (ii) shall designate any auditing procedures generally recognized as normal, or deemed necessary by the accountant under the circumstances of the particular case, which have been omitted, and the reasons for their omission.

Nothing in this rule shall be construed to imply authority for the omission of any procedure which

independent accountants would ordinarily employ in the course of an audit made for the purpose of expressing the opinions required by paragraph (c) of this rule.

(c) **Opinions to be expressed.**—The accountant's certificate shall state clearly: (i) the opinion of the accountant in respect of the financial statements covered by the certificate and the accounting principles and practices reflected therein; (ii) the opinion of the accountant as to any material changes in accounting principles or practices or method of applying the accounting principles or practices, or adjustments of the accounts, required to be set forth by rule 3-07; and (iii) the nature of, and the opinion of the accountant as to, any material differences between the accounting principles and practices reflected in the financial statements and those reflected in the accounts after the entry of adjustments for the period under review.

(d) **Exceptions.**—Any matters to which the accountant takes exception shall be clearly identified, the exception thereto specifically and clearly stated, and, to the extent practicable, the effect of each such exception on the related financial statements given.

#### **Rule 2-03. Certification by Foreign Government Auditors.**

Notwithstanding any requirements as to certification by independent accountants, the financial statements of any foreign governmental agency

may be certified by the regular and customary auditing staff of the respective government, if public financial statements of such governmental agency are customarily certified by such auditing staff.

#### **Rule 2-04. Certification of Financial Statements of Persons Other Than the Registrant.**

If a registrant is required to file financial statements of any other person, such statements need not be certified if certification of such statements would not be required if such person were itself a registrant.

#### **Rule 2-05. Certification of Financial Statements by More Than One Accountant.**

If, with respect to the certification of the financial statements of any person, the principal accountant relies on an examination made by another independent public accountant of certain of the accounts of such person or its subsidiaries, the certificate of such other accountant shall be filed (and the provisions of rules 2-01 and 2-02 shall be applicable thereto); however, the certificate of such other accountant need not be filed (a) if no reference is made directly or indirectly to such other accountant's examination in the principal accountant's certificate, or (b) if, having referred to such other accountant's examination, the principal accountant states in his certificate that he assumes responsibility for such other accountant's examination in the same manner as if it had been made by him.

### **ARTICLE 3. RULES OF GENERAL APPLICATION**

#### **Rule 3-01. Form, Order, and Terminology.**

(a) Financial statements may be filed in such form and order, and may use such generally accepted terminology, as will best indicate their significance and character in the light of the provisions applicable thereto.

(b) All money amounts required to be shown in financial statements may be expressed in even dollars or thousands of dollars, provided that, in the latter case, an indication to that effect is inserted immediately beneath the caption of the statement or schedule, or at the top of each money column. The individual amounts shown need not be adjusted to the nearest dollar or thousand if in a note it is stated that the failure of the items

to add to the totals shown is due to the dropping of amounts less than \$1.00 or \$1,000, as appropriate.

#### **Rule 3-02. Items Not Material.**

If the amount which would otherwise be required to be shown with respect to any item is not material, it need not be separately set forth in the manner prescribed.

#### **Rule 3-03. Inapplicable Captions and Omission of Unrequired or Inapplicable Financial Statements.**

(a) No caption need be shown in any financial statement as to which the items and conditions are not present.

(b) Financial statements not required or inapplicable because the required matter is not present need not be filed.

(c) Financial statements omitted and the reasons for their omission shall be indicated in the list of financial statements required by the applicable form.

**Rule 3-04. Omission of Substantially Identical Notes.**

If a note covering substantially the same subject matter is required with respect to two or more financial statements, the required information may be shown in a note to only one of such statements provided that a clear and specific reference thereto is made in each of the other statements with respect to which the note is required.

**Rule 3-05. Omission of Names of Certain Subsidiaries.**

Notwithstanding the requirements as to particular statements, subsidiaries, the names of which are permitted to be omitted from the list of affiliates required by the applicable form, need not be named in any financial statement. Reasonable grouping of such subsidiaries may be made, with an explanatory group caption which shall state the number of subsidiaries included in the group.

**Rule 3-06. Additional Information.**

The information required with respect to any statement shall be furnished as a minimum requirement to which shall be added such further material information as is necessary to make the required statements, in the light of the circumstances under which they are made, not misleading. This rule shall be applicable to all statements required to be filed, including copies of statements required to be filed in the first instance with other governmental agencies.

**Rule 3-07. Changes in Accounting Principles and Practices and Retroactive Adjustments of Accounts.**

(a) Any change in accounting principle or practice, or in the method of applying any accounting principle or practice, made during any period for which financial statements are filed which affects comparability of such financial statements with those of prior or future periods,

and the effect thereof upon the net income for each period for which financial statements are filed, shall be disclosed in a note to the appropriate financial statement.

(b) Any material retroactive adjustment made during any period for which financial statements are filed, and the effect thereof upon net income of prior periods shall be disclosed in a note to the appropriate financial statement.

**Rule 3-08. Summary of Accounting Principles and Practices.**

Information required in notes as to accounting principles and practices reflected in the financial statements may be presented in the form of a single statement. In such case specific references shall be made in the appropriate financial statements to the applicable portion of such single statement.

**Rule 3-09. Conversion of Items in Foreign Currencies.**

The basis of conversion of all items in foreign currencies shall be stated, and the amount and disposition of the resulting unrealized profit or loss shown.

**Rule 3-10. Opening Balances.**

Instructions which permit the balance of an account at the beginning of the period for which financial statements are being filed to be "as per the accounts" shall not be applicable with respect to companies which have previously filed financial statements under the Securities Act of 1933 or the Securities Exchange Act of 1934. As to such companies, however, balances as per accounts may be taken as of the close of the most recent period for which certified financial statements are on file.

**Rule 3-11. Valuation and Qualifying Reserves.**

Valuation and qualifying reserves shall be shown separately in the financial statements as deductions from the specific assets to which they apply.

**Rule 3-12. Basis of Determining Amounts—Book Value.**

If an instruction requires a statement as to "the basis of determining the amount," the basis shall be stated specifically. The term "book value" will not be sufficiently explanatory unless, in a particular instruction, it is stated to be acceptable with respect to a particular item.

**Rule 3-13. Current Assets.**

Items classed as current assets shall be generally realizable within one year. However, generally recognized trade practices may be followed with respect to the inclusion of items such as installment receivables or inventories long in process, provided an appropriate explanation of the circumstances is made and, if practicable, an estimate is given of the amount not realizable within one year.

**Rule 3-14. Current Liabilities.**

Items due and payable within one year shall in general be classed as current liabilities. However, generally recognized trade practices may be followed with respect to the exclusion of items such as customers' deposits and deferred income, provided an appropriate explanation of the circumstances is made.

**Rule 3-15. Reacquired Evidences of Indebtedness.**

Reacquired evidences of indebtedness shall be shown separately as a deduction, under the appropriate liability caption. However, reacquired evidences of indebtedness held for pension and other special funds not related to the particular issues may be shown as assets of such funds, provided that there be stated parenthetically the amount of such evidences of indebtedness, the cost thereof, and the amount at which carried.

**Rule 3-16. Reacquired Shares.**

Reacquired shares shall be shown separately as a deduction from capital shares, or from the total of capital shares and surplus, or from surplus, at either par or stated value, or cost, as circumstances require.

**Rule 3-17. Discount on Capital Shares.**

Discount on capital shares, or any unamortized balance thereof, shall be shown separately as a deduction from capital shares or from surplus, as circumstances require.

**Rule 3-18. Commitments.**

(a) If material in amount the pertinent facts relative to firm commitments for the acquisition of permanent investments and fixed assets and for the purchase, repurchase, construction, or rental of assets under long-term leases shall be stated briefly in the balance sheet or in footnotes referred to therein.

(b) Where the rentals or obligations under long-term leases are material there shall be shown the amounts of annual rentals under such leases with some indication of the periods for which they are payable, together with any important obligation assumed or guarantee made in connection therewith. If the rentals are conditional, state the minimum annual amounts.

**Rule 3-19. General Notes to Balance Sheets.**

If present in regard to the person for which the statement is filed the following shall be set forth in the balance sheet or in notes thereto:

(a) **Assets subject to lien.**—The amounts of assets mortgaged, pledged, or otherwise subject to lien shall be designated and the obligations secured shall be briefly identified. However, in the case of commercial, industrial, and public utility companies this rule need not be followed with respect to assets (other than current assets and securities) given as security for bonds, mortgages, and similar debt.

(b) **Intercompany profits and losses.**—The effect upon any balance sheet item of profits or losses resulting from transactions with affiliated companies shall be stated. If impracticable of accurate determination, without unreasonable effort or expense, give an estimate or explain.

(c) **Defaults.**—The facts and amounts concerning any default in principal, interest, sinking fund, or redemption provisions with respect to any issue of securities or credit agreements, or any breach of covenant of a related indenture or agreement, shall be stated. Notation of such default or breach of covenant shall be made in the balance sheet.

(d) **Preferred shares.**—

(1) If callable, the date or dates and the amount per share at which such shares are callable shall be stated.

(2) Arrears in cumulative dividends per share and in total for each class of shares shall be stated.

(3) Preferences on involuntary liquidation, if other than the par or stated value, shall be shown. When the excess involved is material there shall be shown (i) the difference between the aggregate preference on involuntary liquidation and the aggregate par or stated value; (ii) a statement that this difference, plus any arrears in dividends, exceeds the sum of the par or stated value of the

junior capital shares and the surplus, if such is the case; and (iii) a statement as to the existence, or absence, of any restrictions upon surplus growing out of the fact that upon involuntary liquidation the preference of the preferred shares exceeds its par or stated value.

**(e) Pension and retirement plans.—**

(1) A brief description of the essential provisions of any employee pension or retirement plan shall be given.

(2) The estimated annual cost of the plan shall be stated.

(3) If a plan has not been funded or otherwise provided for, the estimated amount that would be necessary to fund or otherwise provide for the past service cost of the plan shall be disclosed.

**(f) Restrictions which limit the availability of surplus for dividend purposes.—**Describe any such restriction, other than as reported in (d) above, indicating briefly its source, its pertinent provisions, and, where appropriate and determinable, the amount of the surplus so restricted.

**(g) Contingent liabilities.—**A brief statement as to contingent liabilities not reflected in the balance sheet shall be made. In the case of guarantees of securities of other issuers a reference to the appropriate schedule shall be included.

**Rule 3-20. General Notes to Profit and Loss Statements.**

If present in regard to the person for which the statement is filed, the following shall be set forth in the profit and loss statement or in notes thereto:

**(a) Instalment or deferred sales.—**If sales are made on a deferred basis, such as instalment sales or sales of equipment long in process of manufacture, the basis of taking profits into income shall be stated.

**(b) Intercompany profits and losses.—**The amount of any profits or losses resulting from transactions between affiliated companies shall be stated. If impracticable of determination without unreasonable effort and expense, give an estimate or explain.

**(c) Depreciation, depletion, obsolescence, and amortization.—**State for the period for which

profit and loss statements are filed, the policy followed with respect to—

(1) The provision for depreciation, depletion, and obsolescence of physical properties or reserves created in lieu thereof, including the methods and, if practicable, the rates used in computing the annual amounts;

(2) The provision for depreciation and amortization of intangibles, or reserves created in lieu thereof, including the methods and, if practicable, the rates used in computing the annual amounts;

(3) The accounting treatment for maintenance, repairs, renewals, and betterments; and

(4) The adjustment of the accumulated reserves for depreciation, depletion, obsolescence, amortization or reserves in lieu thereof, at the time the properties are retired or otherwise disposed of, including the disposition made of any profit or loss on sale of such properties.

**(d) Capital Stock Optioned to Officers and Employees.—**

(1) A brief description of the terms of each option arrangement shall be given, including (i) the title and amount of securities subject to option; (ii) the year or years during which the options were granted; and (iii) the year or years during which the optionees became, or will become, entitled to exercise the options.

(2) State (a) the number of shares under option at the balance sheet date, and the option price and the fair value thereof, per share and in total, at the dates the options were granted; (b) the number of shares with respect to which options became exercisable during the period, and the option price and the fair value thereof, per share and in total, at the dates the options became exercisable; and (c) the number of shares with respect to which options were exercised during the period, and the option price and the fair value thereof, per share and in total, at the dates the options were exercised. The required information may be summarized as appropriate with respect to each of these categories.

(3) State the basis of accounting for such option arrangements and the amount of charges, if any, reflected in income with respect thereto.

**ARTICLE 4. CONSOLIDATED AND COMBINED STATEMENTS****Rule 4-01. Application of Article 4.**

This article shall govern the preparation of consolidated and combined statements.

**Rule 4-02. Consolidated Statements of the Registrant and Its Subsidiaries.**

The registrant shall follow in the consolidated statements principles of inclusion or exclusion which will clearly exhibit the financial condition and results of operations of the registrant and its subsidiaries: *Provided, however, That—*

(a) The registrant shall not consolidate any subsidiary which is not a majority-owned subsidiary;

(b) If the statements of a subsidiary are as of a date or for periods different from those of the registrant, such subsidiary may be consolidated only if all the following conditions exist: (1) Such difference is not more than 93 days; (2) the closing date of the subsidiary is expressly indicated; (3) the necessity for the use of different closing dates is briefly explained; and (4) any changes in the respective fiscal periods of the registrant and the subsidiary made during the period of report are clearly indicated, together with the manner of treatment;

(c) **Consolidation of foreign subsidiaries.**—Due consideration shall be given to the propriety of consolidating with domestic corporations foreign subsidiaries whose operations are effected in terms of restricted foreign currencies. If consolidated, disclosure should be made as to the effect, insofar as this can be reasonably determined, of foreign exchange restrictions upon the consolidated financial position and operating results of the registrant and its subsidiaries.

**Rule 4-03. Group Statements of Subsidiaries Not Consolidated.**

For majority-owned subsidiaries not consolidated with the registrant there may be filed statements in which such subsidiaries are consolidated or combined in one or more groups pursuant to principles of inclusion or exclusion which will clearly exhibit the financial condition and results of operations of the group or groups. If it is essential to a properly summarized presentation of the facts, such consolidated or combined statement shall be filed.

**Rule 4-04. Statement as to Principle of Consolidation or Combination Followed.**

(a) The principle adopted in determining the inclusion and exclusion of subsidiaries in each consolidated balance sheet and in each group balance sheet of unconsolidated subsidiaries shall be stated in a note to the respective balance sheet.

(b) As to each consolidated statement and as to each group statement of unconsolidated subsidiaries, a statement shall be made as to whether there have been included or excluded any persons not similarly treated in the corresponding statement for the preceding fiscal period filed with the Commission. If the answer to the foregoing is in the affirmative, the names of such persons shall be given.

**Rule 4-05. Reconciliation of Investment of Parent in Subsidiaries and Fifty-Percent Owned Persons and Equity of Parent in Their Net Assets.**

(a) **Consolidated subsidiaries.**—There shall be set forth in a note to each consolidated balance sheet filed a statement of any difference between the investment in subsidiaries consolidated, as shown by the parent's books, and the parent's equity in the net assets of such subsidiaries, as shown by the books of the latter. If any such difference exists, there shall be set forth the amount of the difference and the disposition made thereof in preparing the consolidated statements, naming the balance sheet captions and stating the amount included in each.

(b) **Subsidiaries not consolidated.**—A statement shall be made of the amount of any difference between the investment of the parent and its consolidated subsidiaries, as shown by their books, in the unconsolidated subsidiaries and fifty-percent owned persons for which statements are filed and the equity of such persons in the net assets of such unconsolidated subsidiaries, and fifty-percent owned persons, as shown by the books of the latter.

**Rule 4-06. Reconciliation of Dividends Received From, and Earnings of, Unconsolidated Subsidiaries.**

The proportion of the sum of, or difference between, current earnings or losses and the dividends declared or paid by the unconsolidated

subsidiaries required to be included in the schedule prescribed by rule 12-17 that is applicable to the parent and its consolidated subsidiaries shall be set forth in a note to each consolidated profit and loss statement.

**Rule 4-07. Minority Interests.**

(a) Minority interests in the net assets of subsidiaries consolidated shall be shown in each consolidated balance sheet. Separation shall be made between the minority interest in the capital and in the surplus.

(b) The aggregate amount of profit and loss accruing to minority interests shall be stated separately in each consolidated profit and loss statement.

**Rule 4-08. Intercompany Items and Transactions.**

In general, intercompany items and transactions shall be eliminated. If not eliminated, a statement of the reasons and the methods of treatment shall be made.

**Rule 4-09. Special Requirements as to Insurance Companies.**

(a) Except as provided in paragraph (b) of this rule, the statements of an insurance company shall not be consolidated or combined with the statements of any person.

(b) The statements of an insurance company other than a life insurance company may be consolidated if all of the following conditions exist:

(1) The insurance company is a totally-held subsidiary of the top parent included in the consolidation;

(2) Such top parent is not an insurance company, investment company, or bank holding company;

(3) The insurance company engages in no business of a material amount other than the insuring of risks arising in the ordinary course of business of such top parent and its other subsidiaries; and

(4) Separate financial statements for the insurance company are filed.

**Rule 4-10. Special Requirements as to Registrants Which Are Bank Holding Companies.**

If the registrant is a bank holding company—

**Article 4 Rules 4-14**

(a) Statements of the registrant may be consolidated only with the statements of subsidiaries which are bank holding companies.

(b) A consolidated statement of the registrant and any of its bank holding company subsidiaries shall not be filed unless accompanied by a consolidating statement which sets forth the individual statements of each subsidiary included in the consolidated statement.

(c) Consolidated or combined statements filed for subsidiaries not consolidated with the registrant shall not include any bank holding companies unless accompanied by consolidating or combining statements which set forth the individual statements of each included bank holding company subsidiary.

**Rule 4-12. Special Requirements as to Banks.**

If two or more majority-owned subsidiaries of a person are banks and are directly owned by a single parent, there shall be filed, in lieu of individual statements for such subsidiaries, combined statements showing the minority interest separately and eliminating any material inter-bank items; except that the statements of any such subsidiary which on the date of filing is a closed or liquidating bank shall not be included in any combined statement. Except as provided in the preceding sentence, statements of banks shall not be included in any consolidated or combined statements.

**Rule 4-13. Special Requirements as to Public Utility Holding Companies.**

There shall be shown in the consolidated balance sheet of a public utility holding company the difference between the amount at which the parent's investment is carried and the underlying book equity of subsidiaries as at the respective dates of acquisition.

**Rule 4-14. Special Requirements as to Commercial, Industrial and Mining Companies in the Promotional, Exploratory, or Development Stage Subject to Article 5A.**

The financial statements required by article 5A shall not be prepared on a consolidated basis but shall, insofar as practicable, be prepared so as to show the information for the registrant and each of its subsidiaries in parallel columns.



## ARTICLE 5. COMMERCIAL AND INDUSTRIAL COMPANIES

### Rule 5-01. Application of Article 5.

(a) This article shall be applicable to financial statements filed for all persons except—

(1) Commercial, industrial, and mining companies in the promotional, exploratory or development stage (see article 5A).

(2) Management investment companies (see article 6).

(3) Unit investment trusts (see article 6A).

(4) Face-amount certificate investment companies (see article 6B).

(5) Insurance companies other than life and title insurance companies (see article 7).

(6) Committees issuing certificates of deposit (see article 8).

(7) Banks (see article 9, rule 9-05).

(8) Brokers and dealers (see rule 17a-5 and form X-17A-5 under the Securities Exchange Act of 1934).

(b) **Bank holding companies.**—Financial statements and schedules filed for bank holding companies shall be prepared in accordance with this article except that rules 9-01 to 9-04, inclusive, of article 9 shall be applicable thereto.

### Rule 5-02. Balance Sheets.

Except as otherwise permitted by the Commission, the balance sheets filed for persons to whom this article is applicable shall comply with the following provisions:

#### ASSETS AND OTHER DEBITS

##### CURRENT ASSETS (see rule 3-13)

1. **Cash and cash items.**—State separately (a) cash on hand, demand deposits and time deposits; (b) call loans; and (c) funds subject to withdrawal restrictions.

2. **Marketable securities.**—Include only securities having a ready market. Securities of affiliates shall not be included here. State the basis of determining the amount at which carried. The aggregate cost, and aggregate amount on the basis of current market quotations, shall be stated parenthetically or otherwise.

3. **Notes receivable (trade).**

4. **Accounts receivable (trade).**

5. **Reserves for doubtful notes and accounts receivable (trade).**—Notes and accounts receivable known to be uncollectible shall be excluded from the assets as well as from the reserve accounts.

6. **Inventories.**—(a) State separately here, or in a footnote referred to herein, if practicable, the major classes of inventory such as (1) finished goods; (2) work in process; (3) raw materials; and (4) supplies.

(b) The basis of determining the amounts shall be stated. If a basis such as “cost,” “market,” or “cost or market whichever is lower” is given, there shall also be given, to the extent practicable, a general indication of the method of determining the “cost” or “market”: e. g., “average cost,” “first-in, first-out,” or “last-in, first-out.”

7. **Other current assets.**—(a) State separately (1) total of current amounts, other than trade accounts subject to the usual trade terms, due from directors, officers, and principal holders of equity securities other than affiliates; (2) total of current amounts due from parents and subsidiaries; and (3) any other amounts in excess of ten percent of total current assets, indicating any such amount due from affiliates other than parents and subsidiaries.

(b) Indebtedness of a parent or subsidiary, or any affiliate designated under (a) (3) shall not be considered as current unless the net current asset position of such person justifies such treatment. In the registrant's balance sheet show separately that indebtedness which in the related consolidated balance sheet is (1) eliminated and (2) not eliminated.

### 8. Total current assets.

#### INVESTMENTS

9. **Securities of affiliates.**—State the basis of determining the amount. State separately the amounts which in the related consolidated balance sheet are (a) eliminated and (b) not eliminated.

10. **Indebtedness of affiliates—not current.**—State separately the indebtedness which in the related consolidated balance sheet is (a) eliminated and (b) not eliminated.

11. **Other security investments.**—State the basis of determining the amount. If available, state parenthetically or otherwise, the aggregate amount on the basis of market quotations.

12. **Other investments.**—State separately, by class of investments, any items in excess of ten percent of the amount of all assets other than fixed and intangible.

## FIXED ASSETS

**13. Property, plant, and equipment.—**

(a) State separately here, or in a footnote referred to herein, if practicable, each major class, such as land, buildings, machinery and equipment, leaseholds or functional grouping, and the basis of determining the amounts.

(b) Tangible and intangible utility plant of a public utility company shall be segregated so as to show separately the original cost, plant acquisition adjustments, and plant adjustments, as required by the system of accounts prescribed by the applicable regulatory authorities. This rule shall not be applicable in respect of companies which are not otherwise required to make such a classification or have not completed the necessary original cost studies. If such classification is not otherwise required or if such original cost studies have not been completed, an appropriate explanation of the circumstances shall be set forth in a note which shall include a specific statement as to the status of the original cost studies and, to the extent practicable, the results indicated thereby.

**14. Reserves for depreciation, depletion, and amortization of property, plant and equipment (or reserves in lieu thereof).**

## INTANGIBLE ASSETS

**15. Patents, trade marks, franchises, goodwill, and other intangible assets.**—State the basis of determining the amounts.

**16. Reserves for depreciation and amortization of intangible assets.**

## DEFERRED CHARGES

**17. Prepaid expenses and other deferred items.**

State separately any material items. Prepayments of services to be received within one year may, however, be included under caption 7.

**18. Organization expense.**—State the method of amortization, if any.

**19. Debt discount and expense.**—State the method of amortization.

**20. Commissions and expense on capital shares.**

State the method of amortization, if any. These items may be shown as deductions from surplus.

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## OTHER ASSETS

**21. Other assets.**—State separately (a) total of amounts due from directors, officers, and principal holders of equity securities other than affiliates; (b) each pension or other special fund; and (c) any other item in excess of ten percent of the amount of all assets other than fixed and intangible.

## LIABILITIES, CAPITAL SHARES, AND SURPLUS

## CURRENT LIABILITIES (see rule 3-14)

**22. Notes payable.**—State separately amounts payable (a) to banks; (b) to trade; and (c) to others.

**23. Accounts payable (trade).**

**24. Accrued liabilities.**—State separately (a) accrued payrolls; (b) tax liability; (c) interest; and (d) any other material items.

**25. Other current liabilities.**—State separately (a) dividends declared; (b) bonds, mortgages, and similar debt; (c) total of current amounts due to parents and subsidiaries, showing separately in the registrant's balance sheet the amounts which in the related consolidated balance sheet are (1) eliminated and (2) not eliminated; (d) total of current amounts, other than items arising in the ordinary course of business, due directors, officers, and principal holders of equity securities other than affiliates; and (e) any other item in excess of ten percent of total current liabilities, indicating any such liability due to affiliates other than parents and subsidiaries. Remaining items may be shown in one amount.

**26. Total current liabilities.**

## DEFERRED INCOME

**27. Deferred income.**

## LONG-TERM DEBT

**28. Bonds, mortgages, and similar debt.**—State separately here, or in a note referred to herein, each issue or type of obligation and such information as will indicate (a) the general character of each type of debt including the rate of interest; (b) the date of maturity, or if maturing serially, a brief indication of the serial maturities, such as "maturing serially from 1950 to 1960"; (c) the aggregate amount of maturities, and sinking fund requirements, each year for the 5 years following

the date of the balance sheet; (d) if the payment of principal or interest is contingent, an appropriate indication of such contingency; (e) a brief indication of priority; and (f) if convertible, the basis.

29. **Indebtedness to affiliates—Not current.**—State separately indebtedness which in the related consolidated balance sheet is (a) eliminated and (b) not eliminated.

30. **Other long-term debt.**—Include under this caption all amounts of long-term debt not provided for under captions 28 and 29 above. State separately (a) total amounts due banks, (b) total amounts due directors, officers, and principal holders of equity securities other than affiliates, and (c) other long-term debt, specifying any material item. Indicate whether secured. Show here, or in a note referred to herein, the information required under caption 28.

#### OTHER LIABILITIES

31. **Other liabilities.**—State separately any amount in excess of ten percent of the total of liabilities other than long-term debt.

32. **Commitments and contingent liabilities.**—(See rules 3-18 and 3-19 (g).)

#### RESERVES, NOT SHOWN ELSEWHERE

33. **Reserves, not shown elsewhere.**—State separately each major class and indicate clearly its purpose.

#### CAPITAL SHARES AND SURPLUS (see rule 3-01 (a))

34. **Capital shares.**—State for each class of shares the title of issue, the number of shares authorized, the number of shares outstanding and the capital share liability thereof, and, if convertible, the basis of conversion. Show also the dollar amount, if any, of capital shares subscribed but unissued, and of subscriptions receivable thereon.

35. **Surplus.**—(a) Separate captions shall be shown for (1) paid-in surplus; (2) surplus arising from revaluation of assets; (3) other capital surplus; and (4) earned surplus (i) appropriated and (ii) unappropriated.

(b) If undistributed earnings of subsidiaries are included, state the amount thereof parenthetically or otherwise. However, in a consolidated statement the preceding sentence shall have reference

only to the undistributed earnings of subsidiaries not consolidated in such statement.

(c) Subsequent to the effective date of a quasi-reorganization any description of earned surplus shall indicate the point of time from which the new earned surplus dates and for a period of at least three years shall indicate the total amount of the deficit eliminated.

(d) An analysis of each surplus account setting forth the information prescribed in rule 11-02 shall be given for each period for which a profit and loss statement is filed, as a continuation of the related profit and loss statement or in the form of a separate statement of surplus, and shall be referred to here.

#### Rule 5-03. Profit and Loss or Income Statements.

Except as otherwise permitted by the Commission, the profit and loss or income statements filed for persons to whom this article is applicable shall comply with the provisions of this rule.

(a) All items of profit and loss given recognition in the accounts during the period covered by the profit and loss or income statements shall be included.

(b) Only items entering into the determination of net income or loss may be included.

(c) If income is derived from both gross sales (caption 1A below) and operating revenues (caption 1B below), the two classes may be combined in one amount if the lesser amount is not more than 10 percent of the sum of the two items. If these items are combined, the cost of goods sold (caption 2A below) and operating expenses (caption 2B below) may be combined in one amount.

1A. **Gross sales less discounts, returns, and allowances.**—State separately, if practicable, (a) sales to parents and subsidiaries, and (b) sales to others.

#### 2A. Cost of goods sold.—

(a) State the amount of cost of goods sold as regularly computed under the system of accounting followed. Indicate the amount of opening and closing inventories used in the computation, and state the basis of determining such amounts.

(b) Merchandising organizations, both wholesale and retail, may include occupancy and buying costs under this caption. However, publicity costs

shall be included under caption 4 below or shown separately.

**1B. Operating revenues.**—State separately, if practicable, revenues from (a) parents and subsidiaries, and (b) others. A public utility company using a uniform system of accounts or a form for annual report prescribed by Federal or State authorities, or a similar system or report, shall follow the general segregation of revenues prescribed by such system or report.

**2B. Operating expenses.**—State separately, if practicable, purchases from and services rendered by (a) parents and subsidiaries, and (b) others. A public utility company using a uniform system of accounts or a form for annual report prescribed by Federal or State authorities, or a similar system or report, may follow the general segregation of operating expenses prescribed by such system or report.

**3 Other operating expenses.**—State separately any material amounts not included in caption 2A or 2B above.

**4 Selling, general, and administrative expenses.**

**5. Provision for doubtful accounts.**

**6. Other general expenses.**—Include items not normally included in caption 4 above. State separately any material amount.

#### OTHER INCOME

**7. Dividends.**—State separately, if practicable, the amount of dividends from (a) securities of affiliates, (b) marketable securities, and (c) other security investments.

**8. Interest on securities.**—State separately, if practicable, the amount of interest from (a) securities of affiliates, (b) marketable securities, and (c) other security investments.

**9. Profits on securities.**—Profits shall be stated net of losses. No profits on the person's own securities, or those of its affiliates, shall be included under this caption. State here or in a note herein referred to the method followed in determining the cost of securities sold, e. g., "average cost," "first-in, first-out," or "identified certificate."

**10. Miscellaneous other income.**—State separately any material amounts, indicating clearly the nature of the transactions out of which the items arose.

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#### INCOME DEDUCTIONS

**11. Interest and debt discount and expense.**—State separately (a) interest on bonds, mortgages or similar debt; (b) amortization of debt discount and expense or premiums; and (c) other interest.

**12. Losses on securities.**—Losses shall be stated net of profits. No losses on the person's own securities, or those of its affiliates, shall be included under this caption. State here or in a note herein referred to the method followed in determining cost of securities sold, e. g., "average cost," "first-in, first-out," or "identified certificate."

**13. Miscellaneous income deductions.**—State separately any material amounts, indicating clearly the nature of the transactions out of which the items arose.

**14. Net income or loss before provision for taxes on income.**

**15. Provision for income and excess-profits taxes.**—State separately (a) Federal normal income tax and surtax; (b) Federal excess profits tax; and (c) other income taxes.

**16. Net income or loss.**

**17. Special items.**—State separately and describe each item of profit and loss given recognition in the accounts, included herein pursuant to rule 5-03 (a), and not included in the determination of net income or loss (caption 16).

**18. Net income or loss and special items.**—

See rule 5-02 (caption 35 (d)).

#### Rule 5-04. What Schedules Are To Be Filed.

(a) Except as expressly provided otherwise in the applicable form—

(1) The schedules specified below in this rule as schedules I, IX, XI, XIII, XIV, and XV shall be filed as of the date of the most recent balance sheet filed for each person or group, provided that any such schedule (other than schedule I) may be omitted if all the following conditions exist:

(i) The financial statements are being filed as part of an annual or other periodic report;

(ii) The information that would be shown in the respective columns of such schedule would reflect no changes as to any issue of securities of the registrant or any significant subsidiary in excess of 5 percent of the outstanding securities of such issue as shown in the most recently filed annual report containing such schedule; and

(iii) Any information required by columns G and H of schedule XIII—Capital shares, is shown in the related balance sheet or in a footnote thereto.

Such schedules shall be certified if the related balance sheet is certified.

(2) All other schedules specified below in this rule shall be filed for each period for which a profit and loss statement is filed. Such schedules shall be certified if the related profit and loss statement is certified.

(b) The information required in schedules for the registrant and for the registrant and its subsidiaries consolidated may be presented in the form of a single schedule, provided that items pertaining to the registrant are separately shown and that such single schedule affords a properly summarized presentation of the facts.

(c) Reference to the schedules shall be made against the appropriate captions of the balance sheet and the profit and loss statement.

(d) If the information required by any schedule (including the footnotes thereto) may be shown in the related balance sheet without making such statement unclear or confusing, that procedure may be followed and the schedule omitted.

**Schedule I. Marketable securities—Other security investments.**—The schedule prescribed by rule 12-02 shall be filed—

(1) In support of caption 2 of a balance sheet, if the greater of the aggregate amount of marketable securities on the basis of current market quotations or the amount at which carried in such balance sheet constitutes fifteen percent or more of total assets.

(2) In support of caption 11 of a balance sheet if the amount at which other security investments is carried in such balance sheet constitutes fifteen percent or more of total assets.

(3) In support of captions 2 and 11 of a balance sheet if the amount at which other security investments is carried in such balance sheet plus the greater of the aggregate amount of marketable securities on the basis of current market quotations or the amount at which carried on such balance sheet constitutes twenty percent or more of total assets.

**Schedule II. Amounts due from directors, officers, and principal holders of equity securities other than affiliates.**—The schedule prescribed by

rule 12-03 shall be filed with respect to each person among the directors, officers and principal holders of equity securities other than affiliates, from whom an aggregate indebtedness of more than \$20,000 or 1 percent of total assets, whichever is less, is owed, or at any time during the period for which related profit and loss statements are filed, was owed. For the purposes of this schedule, exclude in the determination of the amount of indebtedness all amounts due from such persons for purchases subject to usual trade terms, for ordinary travel and expense advances and for other such items arising in the ordinary course of business.

**Schedule III. Investments in securities of affiliates.**—The schedule prescribed by rule 12-04 shall be filed in support of caption 9 of each balance sheet, provided that this schedule may be omitted if (1) neither the sum of captions 9 and 10 in the related balance sheet nor the amount of caption 29 in such balance sheet exceeds 5 percent of total assets (exclusive of intangible assets) as shown by the related balance sheet at either the beginning or end of the period or (2) there have been no changes in the information required to be filed from that last previously reported.

**Schedule IV. Indebtedness of affiliates—Not current.**—The schedule prescribed by rule 12-05 shall be filed in support of caption 10 of each balance sheet. This schedule and schedule X may be combined if desired. This schedule may be omitted if (1) neither the sum of captions 9 and 10 in the related balance sheet nor the amount of caption 29 in such balance sheet exceeds 5 percent of total assets (exclusive of intangible assets) as shown by the related balance sheet at either the beginning or end of the period, or (2) there have been no changes in the information required to be filed from that last previously reported.

**Schedule V. Property, plant, and equipment.**—The schedule prescribed by rule 12-06 shall be filed in support of caption 13 of each balance sheet, provided that this schedule may be omitted if the total shown by caption 13 does not exceed 5 percent of total assets (exclusive of intangible assets) as shown by the related balance sheet at both the beginning and end of the period and if

neither the additions nor deductions during the period exceeded 5 percent of total assets (exclusive of intangible assets) as shown by the related balance sheet.

**Schedule VI. Reserves for depreciation, depletion, and amortization of property, plant, and equipment.**—The schedule prescribed by rule 12-07 shall be filed in support of caption 14 of each balance sheet. This schedule may be omitted if schedule V is omitted.

**Schedule VII. Intangible assets.**—The schedule prescribed by rule 12-08 shall be filed in support of caption 15 of each balance sheet.

**Schedule VIII. Reserves for depreciation and amortization of intangible assets.**—The schedule prescribed by rule 12-09 shall be filed in support of caption 16 of each balance sheet.

**Schedule IX. Bonds, mortgages, and similar debt.**—The schedule prescribed by rule 12-10 shall be filed in support of caption 28 of each balance sheet.

**Schedule X. Indebtedness to affiliates—Not current.**—The schedule prescribed by rule 12-11 shall be filed in support of caption 29 of each balance sheet. This schedule and schedule IV may be combined if desired. This schedule may be omitted if (1) neither the sum of captions 9 and 10 in the related balance sheet nor the amount of caption 29 in such balance sheet exceeds 5 percent of total assets (exclusive of intangible assets) as shown by the related balance sheet at either the beginning or end of the period, or (2) there have been no changes in the information required to be filed from that last previously reported.

**Schedule XI. Guarantees of securities of other issuers.**—The schedule prescribed by rule 12-12 shall be filed with respect to any guarantees of securities of other issuers by the person for which the statement is filed.

**Schedule XII. Reserves.**—The schedule prescribed by rule 12-13 shall be filed in support of  
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reserves included in the balance sheet but not included in schedules VI and VIII.

**Schedule XIII. Capital shares.**—The schedule prescribed by rule 12-14 shall be filed in support of caption 34 of each balance sheet.

**Schedule XIV. Warrants or rights.**—The schedule prescribed by rule 12-15 shall be filed with respect to warrants or rights granted by the person for which the statement is filed to subscribe for or purchase securities to be issued by such person.

**Schedule XV. Other securities.**—If there are any classes of securities not included in schedule IX, XI, XIII, or XIV, set forth in this schedule information concerning such securities corresponding to that required for the securities included in such schedules. Information need not be set forth, however, as to notes, drafts, bills of exchange; or bankers' acceptances, having a maturity at the time of issuance of not exceeding one year.

**Schedule XVI. Supplementary profit and loss information.**—The schedule prescribed by rule 12-16 shall be filed in support of each profit and loss statement in which sales or operating revenues were of significant amount. This schedule may also be omitted if the information required by columns B and C and footnotes 4 and 5 thereof is furnished in the profit and loss or income statement or in a footnote thereto.

**Schedule XVII. Income from dividends—Equity in net profit and loss of affiliates.**—The schedule prescribed by rule 12-17 shall be filed for each period for which a profit and loss statement is filed. This schedule may be omitted if neither the sum of captions 9 and 10 in the related balance sheet nor the amount of caption 29 in such balance sheet exceeds 5 percent of total assets (exclusive of intangible assets) as shown by the related balance sheet at either the beginning or end of the period.

## ARTICLE 5A. COMMERCIAL, INDUSTRIAL, AND MINING COMPANIES IN THE PROMOTIONAL, EXPLORATORY, OR DEVELOPMENT STAGE

### Rule 5A-01. Application of Article 5A.

This article shall be applicable to the financial statements filed as a part of:

(a) Registration statements on form S-2, or form S-3, except as otherwise specifically provided in such forms, under the Securities Act of 1933;

(b) Applications for registration and annual reports pursuant to sections 12, 13, and 15 (d) respectively of the Securities Exchange Act of 1934 filed by commercial and industrial companies in the promotional or development stage which, if registering under the Securities Act of 1933, would be required to use form S-2.

(c) Applications for registration and annual reports pursuant to sections 12, 13, and 15 (d) respectively of the Securities Exchange Act of 1934 filed by mining companies not in the production stage<sup>1</sup> but engaged primarily in the exploration for or the development of mineral deposits other than oil, gas or coal, if all of the following conditions are met:

(1) The registrant has not been in production during the period of the report or the two years immediately prior thereto; except that being in production for an aggregate period of no more than eight months over the three-year period shall not affect the use of the form.

(2) Receipts from the sale of mineral products or from the operation of mineral producing properties by the registrant and its subsidiaries combined have not exceeded \$500,000 in any of the most recent six fiscal years and have not aggregated more than \$1,500,000 in the most recent six fiscal years.

### Rule 5A-02. Statement of Assets and Unrecovered Promotional, Exploratory, and Development Costs.

The statement of assets and unrecovered promotional, exploratory, and development costs filed for persons to whom this article is applicable shall comply with the following provisions:

<sup>1</sup> For the purpose of financial statements prepared pursuant to the instructions contained in this article a mine will be considered to have passed from a development to a production stage when the major portion of the mineral production is obtained from workings other than those opened for the purpose of exploration or development or when the principal activity of the mine becomes the production of developed ore rather than the development of additional ores for mining.

#### CURRENT ASSETS

1. **Cash and cash items.**

2. **Marketable securities.**—Include only securities having a ready market. Securities of affiliates shall not be included here. State here the basis of determining the amount at which carried. The aggregate cost and aggregate amount on the basis of current market quotations shall be stated parenthetically or otherwise.

3. **Accounts and notes receivable.**

4. **Reserve for doubtful accounts and notes receivable.**

5. **Inventories.**—State separately each major class of inventory and the basis of determining the amounts shown. Any classification that is reasonably informative may be used.

6. **Amounts due from underwriters, promoters, directors, officers, employees, and principal holders of equity securities other than affiliates.**—State separately the total amount, if significant, due from each class of persons named in the caption to this paragraph. Exclude from the amounts set forth hereunder trade accounts subject to the usual trade terms.

7. **Other current assets.**—(a) State separately (1) total of current amounts due from parents and subsidiaries; and (2) any other amounts in excess of five percent of total current assets, indicating when any such amount is due from affiliates other than parents and subsidiaries; (b) indebtedness of a parent or subsidiary, or an affiliate designated under (a) (2) shall not be considered current unless the net current asset position of such person justifies such treatment.

8. **Total current assets.**

#### OTHER ASSETS AND UNRECOVERED PROMOTIONAL, EXPLORATORY, AND DEVELOPMENT COSTS

9. **Securities of affiliates.**

10. **Indebtedness of affiliates—Not current.**

11. **Other security investments.**—In a note herein referred to state the basis of determining the amount. If available, state parenthetically or otherwise the aggregate amount on the basis of market quotations.

12. **Amounts due (not current) from underwriters, promoters, directors, officers, employees,**

**and principal holders of equity securities other than affiliates.**—The instruction to caption 6 shall apply here.

**13. Property, plant, and equipment.**<sup>1</sup>—(a) Identify separately intangible property and property held under lease, option, and lease and option agreements. Identify items acquired from persons having a material relationship to the registrant. Extend only the total number of units of each class of securities, the amount of cash, and/or an indication of anything else, given by the registrant therefor. Except as stated in footnote 1, dollar amounts shall be extended only for cash transactions.

(b) In a note state as to property held under lease, option, or lease and option agreements or purchase contracts (1) the nature and amount of future payments to be made, (2) whether the property on default will revert to the seller, and (3) whether any assets constructed on or attached to the property will become the property of the seller on default.

**13A. Mine property.**—Set forth hereunder property usually extinguished by depletion such as mines, mining claims, water rights, land for waste dumps, and similar property. The instructions set forth under caption 13, including footnote 1 if applicable, shall also apply to this caption.

**14. Unrecovered promotional, exploratory, and development cost.**—Set forth under this caption unrecovered costs incurred in promotion, exploration and development.

State separately (a) development expenses, (b) plant and equipment maintenance expenses, (c) rehabilitation expenses, (d) general administrative expenses incurred in a period when there was little or no actual mining and (e) other expenses. Do not include securities selling costs under this caption but include them under caption 17 or 18. General administrative expenses incurred in connection with subcaptions (a), (b), and (c) should be included therein. Any other general admin-

istrative expenses not chargeable to those subcaptions nor written off as costs or other operating charges (including taxes, protection and conservation of property when inactive) shall be included under subcaption (d). Extend only the total number of units of each class of securities, the amount of cash and/or an indication of anything else, given by the registrant. Dollar amounts shall be extended only for cash transactions, including, when appropriate, depreciation, depletion, and amortization of assets extended at dollar amounts under captions 13 and 13A. The instructions set forth under caption 13, footnote 1 to caption 13 and caption 13A, if appropriate, should be applied also to any unrecovered promotion, exploratory, and development costs incurred by predecessors of the registrant.

**15. Reserves for depreciation, depletion, and amortization of property, plant, and equipment and unrecovered promotional, exploratory, and development costs (or reserves in lieu thereof).**—Set forth hereunder only the amount of the reserve for depreciation, depletion, and amortization of property, plant, and equipment and unrecovered costs incurred in promotion, exploration, and development applicable to the dollar amounts extended under captions 13, 13A, and 14 above.

**16. Prepaid expenses and other deferred items.**—State separately any significant items not shown elsewhere. Prepayments of services to be received within one year may, however, be included under caption 7.

**17. Debt discount and expense.**—State in a note referred to in the statement of assets and unrecovered promotional, exploratory, and development costs the method used in amortizing such debt discount and expense.

**18. Commissions and expense on capital shares.**—Explain in a note referred to in the statement of assets and unrecovered promotional, exploratory, and development costs what provisions have been made for writing off these items.

**19. Other assets.**—State separately any other item in excess of five percent of the amount of all assets other than fixed and intangible ones.

### **Rule 5A-03. Statement of Liabilities.**

The statement of liabilities filed for the persons to whom this article is applicable shall comply with the following provisions:

<sup>1</sup> Special instructions regarding this caption for mining companies using Article 5A.—Include hereunder only depreciable mine plant and equipment. See caption 13A for the disposition of mine property subject to depletion. In those situations where depletable mine property and depreciable mine plant and equipment and other assets were acquired in one transaction in exchange for capital stock of the registrant or for cash, capital stock, or other securities of the registrant and any other consideration, the assets acquired such as accounts receivable, supplies, buildings, mining and mill equipment, which have a fixed or objectively determinable value should be valued on those bases. The dollar amounts assigned to these properties shall be extended.



## CURRENT LIABILITIES

1. **Notes payable.**—State separately amounts payable (a) to banks; (b) for merchandise, materials, supplies, and expenses incurred in the ordinary course of business; and (c) to others.

2. **Accounts payable.**—State separately amounts payable (a) for merchandise, materials, supplies, and expenses incurred in the ordinary course of business; and (b) to others.

3. **Accrued liabilities.**—State separately (a) accrued payrolls; (b) tax liability; (c) interest; (d) rents and royalties; and (e) any other significant items. If the total under this caption is not significant it may be stated as one amount.

4. **Amounts due to underwriters, promoters, directors, officers, employees, and principal holders of equity securities other than affiliates.**—State separately the total amount, if significant, due to each class of persons named in the caption to this paragraph. Exclude from the amounts set forth hereunder trade accounts subject to the usual trade terms.

5. **Other current liabilities.**—State separately (a) dividends declared; (b) notes and mortgages instalments, mortgages due within one year, and payments on other long-term debt due within one year; (c) total of current amounts due to parents and subsidiaries; and (d) any other item in excess of five percent of total current liabilities indicating any such liability due to affiliates other than parents and subsidiaries. Remaining items may be shown in one amount.

6. **Total current liabilities.**

## DEFERRED INCOME

7. **Deferred income.**

## LONG-TERM DEBT AND OTHER LIABILITIES

8. **Bonds, notes, and other liabilities represented by securities.**—Show for each class (a) title of the class; (b) the amount authorized; (c) the amount issued; and (d) the amount reacquired and held in the treasury (show such amount as a deduction). As to issued securities, show separately in a note the amount issued for (1) cash, (2) property, and (3) services. The facts and amounts with respect to any defaults in principal, interest, sinking fund, or redemption provisions shall be stated.

9. **Indebtedness to affiliates—Not current.**

10. **Amounts due (not current) to underwriters, promoters, directors, officers, employees, and principal holders of equity securities other than affiliates.**—The instruction to caption 4 above shall apply here.

11. **Other liabilities—Not current.**—State separately any significant items. State whether accrued, and the interest rate if any.

12. **Total liabilities.**

## Rule 5A-04. Statement of Capital Shares.

The statement of capital shares filed for the persons to whom this article is applicable shall comply with the following provisions:

1. State for each class of capital shares the title and number of shares (a) authorized, (b) issued, (c) reacquired and held in the treasury, (d) outstanding, and (e) reserved for option, warrant, conversion, and other rights to acquire such shares.

2. As to each class of issued shares state the number of shares issued for (a) cash, (b) services, and (c) property.

3. If there are any shares subscribed for but unissued, state the number of shares of each class subscribed for, the subscription price, the total amount receivable thereon, and the approximate due dates. If payable otherwise than in cash, explain. If any unpaid amounts on such shares are past due, state the number of shares and amounts involved.

4. If any shares are assessable, state the aggregate and per-share amounts of assessments levied. If any such assessments have not been paid, state the number of shares and amounts involved, indicating separately any amounts past due.

5. If any shares have been issued subject to a liability for further calls, state the number of shares so issued and the aggregate and per-share amounts of such liability. State also the aggregate amount of any past due calls.

6. If any shares have been forfeited for non-payment of assessments or calls thereon, state the number of shares involved and the present status of such shares.

7. State the total amount of underwriting discounts and commissions incurred on sale of capital shares.

8. As to any arrears in cumulative dividends, the amount per share and in total shall be stated.

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9. If preferred shares are callable, the date or dates and the amount per share and in total at which such shares are callable shall be stated. Preferences on involuntary liquidation, if other than par or stated value, shall be shown. A statement shall be made as to the existence, or absence, of any restrictions upon surplus growing out of the fact that upon involuntary liquidation the preference of the preferred shares exceeds its par or stated value.

#### Rule 5A-05. Statement of Other Securities.

If the persons to whom this article is applicable have any securities with respect to which information is not called for in the statement of liabilities or in the statement of capital shares, furnish as to such securities information corresponding to that required in those statements.

#### Rule 5A-06. Statement of Cash Receipts and Disbursements.<sup>1</sup>

The statement of cash receipts and disbursements filed for persons to whom this article is applicable shall comply with the following provisions:

##### RECEIPTS

Sale of securities .....	\$ .....
(Itemize receipts by classes of securities.)	
Assessments .....	\$ .....
Loans by banks .....	\$ .....
Loans by others .....	\$ .....
Sale of products .....	\$ .....
Donations .....	\$ .....
Royalties .....	\$ .....
Rents, tolls, and similar receipts .....	\$ .....
Other receipts .....	\$ .....
(Specify and show separately any items of significant amount. Details may be given in a separate schedule if referred to under this caption.)	
Total receipts .....	\$ .....

<sup>1</sup> If the registrant maintains its books on the accrual basis items of income and expense reported in the statement of cash receipts and disbursements may be presented on such basis, provided entries are introduced in the statement to reconcile the figures in total to the cash receipts and cash disbursements respectively.

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##### DISBURSEMENTS

Loans repaid .....	\$ .....
Commissions and other selling expenses in connection with the sale of securities .....	\$ .....
Legal and accounting fees .....	\$ .....
Fees of engineers, appraisers, and other similar experts .....	\$ .....
Payments on options, leases, lease and option agreements, and purchase contracts .....	\$ .....
(Show separately each payment of significant amount and identify the property for which paid.)	
Royalties .....	\$ .....
Contract work (specify) .....	\$ .....
Purchase of equipment .....	\$ .....
Salaries of directors and officers .....	\$ .....
Other salaries and wages .....	\$ .....
Merchandise, materials, and supplies .....	\$ .....
Taxes .....	\$ .....
Dividends .....	\$ .....
Other disbursements .....	\$ .....

(Specify and show separately any items of significant amount. Details may be given in a separate schedule if referred to under this caption.)

Total disbursements .....	\$ .....
Net increase (or decrease) in cash during period .....	\$ .....
Cash and cash items balance at beginning of period .....	\$ .....
Cash and cash items balance at close of period .....	\$ .....

#### Rule 5A-07. What Schedules Are To Be Filed.

The following schedules are required to be filed as a part of an application for registration on form 10 and as part of an annual report on form 10-K by companies to whom this article is applicable.

(a) The schedules specified below in this rule as schedules I, II, and III shall be filed as of the date of the statement of assets and unrecovered promotional, exploratory, and development costs and statement of liabilities filed for each person.

Such schedules shall be certified.

(b) The information required in schedules for the registrant and for its subsidiaries may be presented in the form of a single schedule, provided that items pertaining to the registrant and those pertaining to each subsidiary are separately shown and that such single schedule affords a properly summarized presentation of the facts.

(c) References to the schedules shall be made against the appropriate captions of the statement of assets and unrecovered promotional, exploratory, and development costs.

(d) If the information required by any schedule (including the footnotes thereto) may be shown in the related statement of assets and unrecovered promotional, exploratory, and development costs, without making such statement unclear or confusing, that procedure may be followed and the schedule omitted.

(e) If schedules, other than those specifically called for by paragraph (a) of this rule, are required to make clear and not confusing certain material items appearing in the financial statements, the

registrant may use the appropriate schedule set forth in article 12 to present the additional information required by rule 3-06.

**Schedule I. Property, plant, and equipment.**—The schedule prescribed by rule 12-06 shall be filed in support of caption 13 and caption 13A of each statement of assets and unrecovered promotional, exploratory, and development costs.

**Schedule II. Unrecovered promotional, exploratory, and development costs.**—The schedule prescribed by rule 12-06A shall be filed in support of caption 14 of each statement of assets and unrecovered promotional, exploratory, and development costs.

**Schedule III. Reserves for depreciation, depletion, and amortization of property, plant, and equipment and unrecovered promotional, exploratory, and development costs (or reserves in lieu thereof).**—The schedule prescribed by rule 12-07 shall be filed in support of caption 15 of each statement of assets and unrecovered promotional, exploratory, and development costs.

## ARTICLE 6. MANAGEMENT INVESTMENT COMPANIES

### Rule 6-01. Application of Article 6.

This article shall be applicable to financial statements filed for management investment companies other than those which are issuers of periodic payment plan certificates.

### Rule 6-02. Special Rules Applicable to Management Investment Companies.

The financial statements filed for persons to which this article is applicable shall be prepared in accordance with the following special rules in addition to the general rules in articles 1, 2, 3, and 4. Where the requirements of a special rule differ from those prescribed in a general rule, the requirements of the special rule shall be met.

1. **Content of financial statements.**—The financial statements shall be prepared in accordance with the requirements of regulation S-X notwithstanding any provision of the articles of incorporation, trust indenture or other governing legal instruments specifying certain accounting procedures inconsistent with those herein required.

2. **Certification.**—Where, under the applicable form, financial statements are required to be

certified, the certifying accountant shall have been selected and ratified in accordance with section 32 of the Investment Company Act of 1940 and the applicable rules thereunder.

### 3. Consolidated and combined statements.—

(a) Consolidated and combined statements filed for management investment companies shall be prepared in accordance with article 4 except that (1) statements of the registrant may be consolidated only with the statements of subsidiaries which are investment companies; (2) a consolidated statement of the registrant and any of its investment company subsidiaries shall not be filed unless accompanied by a consolidating statement which sets forth the individual statements of each significant subsidiary included in the consolidated statement, *provided, however*, that a consolidating statement need not be filed if all included subsidiaries are totally held; and (3) consolidated or combined statements filed for subsidiaries not consolidated with the registrant shall not include any investment companies unless accompanied by consolidating or combining statements which set forth the individual statements

of each included investment company which is a significant subsidiary.

(b) If consolidated statements are filed, the amounts included under each caption in which financial data pertaining to affiliates is required to be furnished shall be subdivided to show separately the amounts (1) eliminated in consolidation and (2) not eliminated in consolidation.

**4. Affiliates.**—The term “affiliate” means an “affiliated person” as defined in section 2 (a) (3) of the Investment Company Act of 1940. The term “control” has the meaning given in section 2 (a) (9) of that Act.

**5. Value.**—As used in this article 6, the word “value” shall have the meaning given in section 2 (a) (39) (B) of the Investment Company Act of 1940.

**6. Valuation of assets.**—(a) The balance sheets of open-end companies shall reflect all assets at value, showing cost parenthetically.

(b) The balance sheets of closed-end companies shall either (1) reflect all assets at cost, showing value parenthetically, or (2) reflect all assets at value, showing cost parenthetically. If assets are reflected at cost, however, due consideration shall be given to evidence of probable loss and, where such evidence indicates an apparently permanent decline in underlying value and earning power, recognition thereof shall be made by means of an appropriate write-down or the establishment of an appropriate reserve.

(c) The balance sheet shall clearly disclose whether assets are carried at cost or value.

**7. Cost in case of reorganizations, exchanges of investments, syndicate operations, etc.**—Where information as to the cost of investments is required to be furnished, the term “cost” shall have the indicated special meaning in the following instances:

(a) **Reorganizations and quasi-reorganizations.**—Where investments have been adjusted in the course of a reorganization or quasi-reorganization of the registrant, “cost” shall mean such adjusted amount. The date of and a brief statement as to such adjustment shall be given in a note referred to in the balance sheet.

(b) **Exchanges of investments.**—(1) Where investments have been acquired in exchange for other investments as a result of a reorganization, consolidation or merger of a portfolio company,

“cost” of the investments acquired shall be the cost of the investments released. Due consideration shall, however, be given to evidence of probable loss and, where such evidence indicates an apparently permanent decline in underlying value and earning power, “cost” of the investments acquired shall be the value, on the effective date of the transaction, of the investments released or of the investments received, as appropriate. (2) In other cases in which investments have been acquired in exchange for assets other than cash, “cost” of the investments acquired shall be the value, on the effective date of the exchange, of the assets released or of the assets received, as appropriate.

(c) **Syndicate operations.**—In the case of securities acquired through joint syndicate operations, “cost” shall be net of syndicate discounts and commissions applicable thereto.

**8. Issuance and repurchase of securities by a management investment company.**—In a footnote or statement referred to in the balance sheet or other appropriate statement, show for each class of the company’s securities (1) the number of shares or principal amount of bonds sold during the period of report, the amount received therefor, and, in the case of shares sold by closed-end companies, the difference, if any, between the amount received and the net asset value or preference in involuntary liquidation (whichever is appropriate) of securities of the same class prior to such sale; and (2) the number of shares or principal amount of bonds repurchased during the period of report and the total or average cost thereof. Closed-end companies shall furnish the following additional information as to securities repurchased during the period of report:

(a) as to bonds and preferred shares, the aggregate difference between cost and the face amount or preference in involuntary liquidation and, if applicable net assets taken at value as of the date of repurchase were less than such face amount or preference, the aggregate difference between cost and such applicable net asset value;

(b) as to common shares, the weighted average discount per share, expressed as a percentage, between cost of repurchase and the net asset value applicable to such shares at the date of repurchases.

The information required by 2 (a) and (b) may be based on reasonable estimates if it is impractic-

cable to determine the exact amounts involved.

**9. Federal income taxes.**—Appropriate provision shall be made, on the basis of the applicable tax laws, for Federal income taxes that it is reasonably believed are, or will become, payable in respect of (a) current net income, (b) realized gain on investments and (c) unrealized appreciation on investments. The company's status as a "regulated investment company" as defined in Supplement Q\* of the Internal Revenue Code as amended shall be stated in a note referred to in the appropriate statements. Such note shall also indicate briefly the principal present assumptions on which the company has relied in making or not making provisions for such taxes.

**10. Balance sheets; statements of assets and liabilities.**—As used herein the term "balance sheets" shall include statements of assets and liabilities unless the context clearly indicates the contrary.

**11. Inapplicable captions.**—Attention is directed to the provisions of rule 3-02 which permit the omission of separate captions in financial statements as to which the items and conditions are not present, or the amounts involved not significant. However, amounts involving directors, officers, and affiliates shall nevertheless be separately set forth except as otherwise specifically permitted under a particular caption.

**Rule 6-03. Balance Sheets; Statements of Assets and Liabilities.**

Balance sheets and statements of assets and liabilities filed under this rule shall comply with the following provisions:

**ASSETS**

**1. Cash and cash items.**—State separately (a) cash on hand, demand deposits, and time deposits; (b) call loans; and (c) funds subject to withdrawal restrictions. Funds subject to withdrawal restrictions and deposits in closed banks shall not be included under this caption unless they will become available within 1 year.

**2. Dividends and interest receivable.**—(a) Dividends shall not be included before the ex-dividend date, nor unless payment is reasonably assured by past experience, guaranty, or otherwise. No dividend shall be included on stocks

issued or assumed by the company and held by or for it, whether held in its treasury, in sinking or other special funds, or pledged as collateral.

(b) Interest due or accrued on bonds, notes, deposits, open accounts, and other interest-bearing obligations owned, shall not be included unless payment is reasonably assured by past experience, guaranty, or otherwise. No interest shall be included on securities issued or assumed by the company and held by or for it, whether held in its treasury, in sinking or other special funds, or pledged as collateral.

**3. Notes receivable.**

**4. Accounts receivable.**

**5. Reserves for doubtful receivables.**—Notes and accounts receivable known to be uncollectible shall be excluded from the asset as well as from the reserve account.

**6. Sundry assets of a current nature.**—State separately (a) total of current amounts due from directors and officers; (b) participation in syndicates; and (c) any other significant amount.

**7. Investments in securities of unaffiliated issuers.**—See rule 6-02-6.

(a) **United States Government bonds and other obligations.**—Include only direct obligations of the United States Government.

(b) **Securities of other investment companies.**—Such securities may be included under (c) if they amount in the aggregate to less than 5 percent of total assets.

(c) **Other securities.**

(d) Such further classification may be used as is appropriate under the circumstances.

(e) **Reserves for unrealized depreciation in value of securities.**—If assets are reflected at cost, any reserve for unrealized depreciation shall be shown here as a deduction from the items to which applicable.

**8. Investments—Other than securities.**—State separately each major class. See rule 6-02-6.

**9. Investments in affiliates.**—State separately investments in (a) controlled companies and (b) other affiliates. See rule 6-02-6.

**10. Prepaid expenses and other deferred items.**—(a) State separately each of the following items if significant: (1) debt discount and expense, (2) organization expense, (3) commissions and expense on capital shares, and (4) other prepaid and deferred items showing separately any signi-

\*See Subchapter M—Internal Revenue Code of 1954.

ficant items. Explain in a note to this caption the provisions which have been made to write off or amortize such items.

(b) Recurrent costs of issuing shares, such as registration fees and expenses, shall be charged off in the statement of income and expense for the period in which such costs are incurred.

11. **Other assets.**—State separately (a) total of amounts due from directors and officers, not included under caption 6 above; (b) each special fund of a significant amount; (c) real estate and improvements not included under caption 8 above; (d) furniture and fixtures; and (e) any other significant amounts.

#### LIABILITIES

12. **Notes payable.**—State separately amounts payable within 1 year (a) to banks, and (b) to others. See caption 16 (a).

13. **Accounts payable.**—State separately (a) the total of amounts payable for purchase of securities, and (b) other accounts payable.

14. **Accrued liabilities.**—State separately (a) accrued salaries, (b) tax liability, (c) interest, and (d) any other significant items. If the total under this caption is not significant, it may be stated as one amount.

15. **Sundry liabilities of a current nature.**—State separately (a) dividends declared; (b) bonds, notes, mortgage installments, and mortgages due within 1 year; (c) total of current amounts due to affiliates, excluding any amounts owing to non-controlled affiliates which arose in the ordinary course of business and are subject to usual trade terms; (d) total of current amounts (other than as required under caption 14) due directors and officers; and (e) any other items of significant amount. Remaining items may be shown in one amount.

16. **Long-term debt.**

(a) **Funded debt.**—If any amount included herein will fall due within 1 year, indicate such amount and explain in a footnote the reason for not including such amount as a current liability under rule 6-03-15. See also caption 19 (c) (2).

(b) **Indebtedness to affiliates—not current.**—State separately amounts due to (1) controlled companies and (2) other affiliates.

(c) **Other long-term debt.**—Indicate whether secured. State separately (1) total of amounts

due directors and officers; and (2) other long-term debt, specifying any significant item. State separately by years, in the balance sheet or in a note therein referred to, the total amounts of the respective maturities for the 5 years following the date of the balance sheet.

17. **Other liabilities.**—State separately any significant amounts.

18. **Reserves, not shown elsewhere.**—State separately the total of each major class and describe each such major class by using an appropriate caption or by a footnote referred to in the caption.

19. **Net assets applicable to outstanding capital shares.**—(a) This caption may be used only by companies which reflect assets at value, showing cost parenthetically.

(b) **Companies having only one class of outstanding capital securities.**—Such companies may conclude the statement with this caption and give the number of outstanding shares and the net asset value per share. In such case the statement shall be entitled “Statement of Assets and Liabilities” and the information required by captions 20 to 24 below shall be set forth in the form of a separate schedule immediately following this statement and referred to under this caption.

(c) **Companies having more than one class of outstanding capital securities.**—(1) Such companies may conclude the statement at this point and in such case shall furnish in tabular form immediately following this caption the following information as to each class of capital securities: (i) title of issue; (ii) in the case of funded debt treated as a capital security the total face amount outstanding and the asset coverage per unit; (iii) in the case of preferred shares, the par or stated value, the number of shares outstanding, the total preference thereof in involuntary liquidation, and the asset coverage per share and (iv) in the case of common shares, the par or stated value, the number of shares outstanding and the net asset value per share and in the aggregate. In such case the statement shall be entitled “Statement of Assets, Liabilities and Capital Securities” and the information required by captions 20 to 24 below shall be set forth in the form of a separate schedule immediately following this statement and referred to under this caption.

(2) If funded debt is outstanding and is to be treated as a capital security, caption 16 (a) may be omitted if appropriate adjustment of related captions is made.

#### CAPITAL SHARES AND SURPLUS

20. **Capital shares.**—State for each class of shares the title of issue, the number of shares authorized, the number of shares outstanding and the capital share liability thereof. See also rule 6-09.

21. **Surplus.**—(a) Show the division of this item into (1) capital surplus; (2) balance of undistributed net income; and (3) accumulated net realized gain or loss on investments. The information required by rule 6-02-8 shall be given in a footnote to this statement, or in a footnote to the statement permitted by rule 6-08.

(b) Except as permitted by rule 6-08, an analysis of each surplus account setting forth the information prescribed in rule 6-07 shall be given, for each period for which a statement of income and expense is filed, in the form of a separate statement of surplus, and shall be referred to under this caption.

22. **Total capital and surplus.**—Companies which reflect assets at cost, showing value parenthetically, shall furnish the following information in a separate statement immediately following this statement and referred to herein:

(a) The amount of unrealized appreciation or depreciation of the assets, taken at value, as compared to the amount at which such assets are reflected in the balance sheet, together with the increase or decrease thereof during the period of report.

(b) An appropriate provision for taxes in respect of appreciation if required by rule 6-02-9.

(c) If total assets at value are less than cost, the adjustment that would have to be made to reflect such depreciation in the surplus accounts.

(d) The net asset coverage per unit of each class of bonds and per share of each class of preferred shares.

(e) The net asset value per share of the outstanding common shares, computed on the basis of assigning to prior securities their preference in involuntary liquidation.

23. **Unrealized appreciation or depreciation of**

**assets.**—Companies which reflect assets at value showing cost parenthetically shall include this item as an addition to or deduction from caption 22. See rule 6-06. Appropriate provisions shall be made for applicable income taxes if required by rule 6-02-9.

24. **Net assets applicable to outstanding capital shares.**—The amount of this caption should agree with the amount shown under caption 19.

#### Rule 6-04. Statement of Income and Expense.

(a) Statements required by this rule and by rules 6-05 and 6-06 shall be shown on the same or on consecutive pages. If not shown on the same page, however, the items required to be set forth by caption 5 of rule 6-05 and caption 2 of rule 6-06 shall be appended immediately following the information required by caption 7 of this rule.

(b) Statements filed under this rule shall comply with the following provisions:

1. **Income.**—(a) State separately income from (1) cash dividends, (2) interest, and (3) other income. If income from investments in or indebtedness of affiliates is included hereunder, such income shall be segregated under an appropriate caption subdivided to show separately income from (i) controlled companies and (ii) other affiliates.

(b) Due consideration shall be given to the propriety of treating, as income, dividends on stock acquired or disposed of during the period of report.

(c) Due consideration shall be given to the propriety of treating extraordinary dividends as income. For the purpose of this rule the term "extraordinary dividends" shall mean (1) dividends which are known to have been declared out of sources other than current earnings or earned surplus and (2) dividends which are declared otherwise than out of earnings of the current or preceding year and are abnormal in size in relationship to the value of the securities upon which declared.

(d) Dividends in arrears on preferred stock may not be treated as income in an amount which exceeds an amount arrived at by applying the stated dividend rate to the period during which the stock has been held, *provided*, that, in computing the period held, periods of more than one-half of a quarter year may be treated as full quarter years, if periods of less than one-half of a quarter year are not counted. Any such dividends which are treated as income but which are appli-

cable to periods prior to the current fiscal year shall be included under caption 1 (a) (3) above.

(e) Dividends by controlled companies may be treated as income only to the extent that they are out of earnings subsequent to (1) the date of acquisition or (2) the effective date of a reorganization or quasi-reorganization of the receiving company if such date is subsequent to the date of acquisition.

(f) Due consideration shall be given to the propriety of treating, as income, interest received on bonds which were in default when acquired. Any such interest which may be treated as income shall not be treated as ordinary interest income in an amount in excess of the amount arrived at by applying the stated interest rate to the period of report, and any excess thereof shall be included under caption 1 (a) (3) above. The policy followed in accounting for such interest shall be stated in a footnote.

(g) Common stock received as a dividend on common stock of the same issuer shall not be treated as income, and no amount shall be debited to investments or credited to income or surplus at the time such dividend is received.

(h) State as to any noncash dividends, other than stock dividends referred to in paragraph (g), and as to preferred stock received as a stock dividend, the basis on which taken up as income. If any such dividends received from controlled companies have been credited to income in an amount different from that charged to income or earned surplus by the disbursing company, state the amount of such difference and explain.

(i) State separately each category of other income representing more than 5 percent of the total shown under caption 1 of rule 6-04 (b).

(j) Proceeds from the sale of new capital shares which represent payment on account of accrued undivided income shall not be included in the statement of income and expense. See rule 6-07-2.

(k) Dividends and interest applicable to an issuer's own securities held in its treasury or in sinking or other special funds shall not be treated as income.

**2. Expenses.**—State separately each category of expense representing more than five percent of the total expenses. There shall also be shown in an appropriate manner (a) the total of management

and other service fees to unaffiliated persons; (b) the total of management and other service fees to affiliated persons, indicating in a note or otherwise (1) the name of each such person accounting for 10 percent or more of the total under this subcaption, (2) the nature of the affiliation between the investment company and each such person, and (3) the amount applicable to each such person; and (c) other expenses within the person's own organization in connection with research, selection and supervision of investments. The total of management and service fees shall be included herein regardless of the basis used for, or the method of, computation thereof. State in a note referred to under this item the basis and methods of computing management or service fees and if none was incurred for the period of report, the reason therefor. If any of the expenses were paid otherwise than in cash, state the details in a note referred to under this caption.

**3. Taxes—Other than taxes on income.**

**4. Interest and debt discount and expense.**—State separately (a) interest on funded debt, (b) amortization of debt discount and expense or premium, and (c) other interest.

**5. Balance before provision for taxes on income.**

**6. Provision for taxes on income.**—State separately (a) Federal taxes on income, and (b) other taxes on income. If the amount to be shown under this caption is less than 5 percent of caption 7, it may be combined with caption 3 and in such case caption 5 may be omitted. See rule 6-02-9.

**7. Net income.**—The amount included under this caption shall be carried to the related subdivision of surplus or to the statement of changes in net assets, as appropriate. See rules 6-07-2 and 6-08 (b) (2).

#### **Rule 6-05. Statement of Realized Gain or Loss on Investments.**

Statements filed under this rule shall comply with the following provisions:

**1. Realized gain or loss on sales of investments.**—(a) State separately the aggregate cost, the aggregate proceeds, and the net gain or loss from sales of each of the following classes of investments: (1) investments in securities of affiliates, (2) investments in other securities, showing United States Government bonds and other direct obligations separately, and (3) other investments.



(b) Transactions in shares of the person for which the statement is filed shall not be included here.

(c) State in a footnote the aggregate cost of securities acquired during the period, showing separately United States Government bonds and other direct obligations.

(d) State the basis followed in determining the cost of securities sold. If a basis other than average cost is used, state, if practicable, the gain or loss computed on the basis of average cost.

**2. Realized gain or loss on other transactions.—**

(a) Include under this caption exchanges of investments. Show the aggregate cost of the investments released and, as the proceeds of the exchanges, the aggregate amount at which the investments acquired were recorded in the accounts. See rule 6-02-7.

(b) Include also under this caption any write-downs required by rule 6-02-6 (b). Show the aggregate cost and the aggregate adjusted cost of the investments involved.

**3. Realized gain or loss on investments, before provision for income taxes.**

**4. Provision for income taxes.**

**5. Net realized gain or loss on investments.—**The amount included under this caption shall be carried to the related section of surplus or to the statement of changes in net assets, as appropriate. See rules 6-07-3 and 6-08 (b) (3).

**Rule 6-06. Statement of Unrealized Appreciation or Depreciation of Investments.**

This statement may be omitted by companies reflecting assets at cost, showing value parenthetically, provided the information called for by the second sentence of rule 6-04 (a) is given. Statements filed under this rule shall comply with the following provisions:

**1. Unrealized appreciation or depreciation of investments.—**State the amount of unrealized appreciation or depreciation of investments as shown in caption 23 of the balance sheet (a) at the beginning of the period of report, and (b) at the end of the period of report.

**2. Increase or decrease of unrealized appreciation or depreciation.**

**Rule 6-07. Surplus Statements.**

Surplus statements filed under this rule shall comply with the following provisions:

**1. Capital surplus.—**(a) The analysis of capital surplus shall show separately for each period (1) balance at beginning of period, (2) additions during period due to (i) sale of capital shares, and (ii) other additions described in reasonable detail, (3) deductions during period due to (i) repurchase of capital shares, (ii) distributions to shareholders from capital surplus, and (iii) other deductions, described in reasonable detail, and (4) balance at end of period. State in a footnote or otherwise the aggregate amount per share of dividends paid during the period of the report.

(b) There shall be shown, parenthetically or otherwise, the total dividend distributions to shareholders made from capital surplus since the date of organization or the date of the most recent reorganization, whichever is later; provided that companies organized prior to January 1, 1925, need show only such dividends paid since that date if that fact is indicated.

**2. Balance of undistributed net income.—**The analysis of the balance of undistributed net income, shall show separately for each period of report (a) balance at beginning of period, (b) net income as shown under rule 6-04-7, (c) other additions described in reasonable detail, (d) distributions to shareholders, (e) other deductions described in reasonable detail, and (f) balance at end of period. State in a footnote or otherwise the aggregate amount per share of dividends paid during the period of the report.

Open-end companies which follow the policy of recording separately a part of the sale and repurchase price of capital shares as an adjustment on account of undivided income shall include, as a separate item hereunder, the difference between the amount received from the sale of new capital shares which represent payment on account of accrued undivided income and the amount paid on the repurchase of capital shares which represent payment on account of accrued undivided income.

**3. Accumulated net realized gain or loss on investments.—**The analysis of accumulated realized gain or loss on investments shall show separately for each period of report (a) gain or loss on investments prior to the period, (b) distributions to shareholders made therefrom prior to the period, (c) balance at the beginning of the period, (d) gain or loss on investments as shown under rule 6-05-5,

(e) distributions to shareholders, and (f) balance at end of period. Captions (a) and (b) of this paragraph may be omitted by companies organized or most recently reorganized, prior to January 1, 1925, provided there is given in a footnote (i) total distributions made to shareholders out of realized gain on investments during the period from January 1, 1925, to the beginning of the period of report, and (ii) total realized gain or loss on investments for the same period. State in a footnote or otherwise the aggregate amount per share of dividends paid during the period of the report.

4. **Opening balances.**—Companies may accept balances of surplus accounts at January 1, 1925, as per the accounts.

5. See also rules 6-03-19 and 6-03-21.

#### **Rule 6-08. Statement of Changes in Net Assets.**

(a) Companies which in statements filed pursuant to rule 6-03 reflect assets at value, showing cost parenthetically, may file statements of changes in net assets in lieu of the surplus statements required by rule 6-07, *provided*, there is shown under caption 21 (a) of rule 6-03 the amount of dividends previously paid from (1) capital surplus, and (2) realized gain on investments. See rules 6-07-1 (b) and 6-07-3.

(b) Statements of changes in net assets filed under this rule shall comply with the following provisions:

(1) **Net assets at beginning of period.**—The amount shown shall agree with caption 19 of the related statement filed pursuant to rule 6-03 as of the beginning of the period of report. Show parenthetically or otherwise the balance of undistributed net income included in net assets at the beginning of the period.

(2) **Income.**—State separately (a) net income as shown by caption 7 of rule 6-04; (b) net accrued undivided earnings included in price of capital shares issued and repurchased; (c) distributions paid; and (d) balance of income undistributed, or decrease in prior balance of undistributed net income, as appropriate.

(3) **Realized gain or loss on investments.**—State separately (a) net realized gain or loss on investments as shown by caption 5 of rule 6-05; (b) distributions paid; and (c) balance of realized gain on investments for the period, or decrease

in prior accumulated realized gain on investments, as appropriate.

(4) **Increase or decrease of unrealized appreciation or depreciation of assets.**—The amount shown should agree with caption 2 of rule 6-06.

(5) **Securities issued and repurchased.**—State separately for each issue (1) amount issued, and receipts therefrom on account of principal; (2) amount repurchased, and payments therefor on account of principal; and (3) net increase or decrease in amount outstanding and the difference between receipts and payments in respect thereof.

(6) **Distributions of capital.**

(7) **Other items.**—If during the period there have been any charges or credits to surplus accounts not specifically provided for in captions (2) to (6), include such items under an appropriate caption and explain clearly their nature.

(8) **Net assets at close of period.**—The amount shown shall agree with caption 19 of rule 6-03. Show parenthetically or otherwise the balance of undistributed net income included in net assets at the end of the period.

State in a footnote or otherwise to captions (2), (3), and (6) the aggregate amount per share of dividends paid during the period of the report.

Captions (b) (3) to (6), inclusive, may be shown subordinate to a general caption "Capital." If appropriate, the term "Principal" may be used in place of "Capital."

#### **Rule 6-09. Statement of Sources of Net Assets.**

Companies having only one class of outstanding capital securities, and reflecting all assets at value, may combine captions 20 and 21 (a) (1) of rule 6-03, *provided* (1) the analyses prescribed by rule 6-03-21 (b) are furnished and (2) other information comparable to that prescribed by captions 20 to 24 of rule 6-03 is set forth in substantially the following form:

(1) **Capital.**—If appropriate, the term *Principal* may be used in place of this caption.

(a) **Excess of amounts received from sale of capital shares over amounts paid out in redeeming or reacquiring shares.**—State here or in a footnote the number of shares authorized, the number of shares outstanding, and the capital shares liability thereof. The information required by rule 6-02-8

shall be given in a footnote or by reference to the statement of changes in net assets.

(b) **Aggregate distributions from net proceeds from sale of capital shares.**—See also rule 6-07-1 (b).

(c) **Balance of capital paid in on shares.**

(d) **Accumulated net realized gain or loss on investments.**

(e) **Accumulated distributions of realized gain on investments.**—The amount shown under this caption (e) shall be added to or deducted from caption (d) as appropriate to give a single total which need not be separately designated. See rule 6-07-3 with respect to companies organized or most recently reorganized prior to January 1, 1925.

(f) **Unrealized appreciation or depreciation of assets.**—See rule 6-02-9.

(g) **Total of captions (a) to (f), inclusive.**

(2) **Balance of undistributed net income.**

(3) **Net assets applicable to outstanding shares.**

#### **Rule 6-10. What Schedules Are To Be Filed.**

(a) Except as otherwise expressly provided in the applicable form:

(1) The schedules specified below in this rule as schedules I, VII, VIII, and IX shall be filed as of the date of the most recent balance sheet filed for each person and for each group for which separate statements are filed. Such schedules shall be certified if the related balance sheet is certified.

(2) All other schedules specified below in this rule shall be filed for each period for which a statement of income and expense is filed. Such schedules shall be certified if the related statement of income and expense is certified.

(b) The information required in schedules for the registrant, for the consolidated subsidiaries and for the registrant and its subsidiaries consolidated may be presented in the form of a single schedule, *provided*, that items pertaining to the registrant and to each consolidated subsidiary or group for which separate statements are required are separately shown and that such single schedule affords a properly summarized presentation of the facts.

(c) If the information required by any schedule (including the footnotes thereto) may be shown in the statements required by rules 6-03 to 6-09 without making such statements unclear or con-

fusing, that procedure may be followed and the schedule omitted.

(d) Reference to the schedules shall be made against the appropriate captions of the balance sheet and the statement of income and expense.

#### **A. INVESTMENT SCHEDULES**

**Schedule I. Investments in securities of unaffiliated issuers.**—The schedule prescribed by rule 12-19 shall be filed in support of caption 7 of each balance sheet.

**Schedule II. Investments—Other than securities.**—The schedule prescribed by rule 12-21 shall be filed in support of caption 8 of each balance sheet. This schedule may be omitted if the investments, other than securities, at both the beginning and end of the period amount to less than 1 percent of total assets or \$50,000 whichever is less.

**Schedule III. Investments in affiliates.**—The schedule prescribed by rule 12-22 shall be filed in support of caption 9 of each balance sheet.

#### **B. MISCELLANEOUS SCHEDULES**

**Schedule IV. Amounts due from directors and officers.**—The schedule prescribed by rule 12-03 shall be filed with respect to each person among the directors and officers from whom any amount was owed at any time during the period for which related statements of income and expense are filed.

**Schedule V. Indebtedness to affiliates.**—The schedule prescribed by rule 12-11 shall be filed in support of caption 16 (b). This schedule and schedule III may be combined if desired.

**Schedule VI. Reserves.**—The schedule prescribed by rule 12-13 shall be filed in support of all reserves included in the balance sheet.

#### **C. CAPITAL SECURITIES**

**Schedule VII. Funded debt.**—The schedule prescribed by rule 12-10 shall be filed in support of caption 16 (a) of each balance sheet.

**Schedule VIII. Capital shares.**

(a) Open-end companies, all of whose outstanding securities are redeemable at the option of the holder thereof, need not file this schedule.

(b) Closed-end companies shall file the schedule prescribed by rule 12-14 in support of caption 20 of each balance sheet.

**Schedule IX. Other securities.**—Schedules shall be filed in respect of any classes of securities issued by the person for whom the statement is filed, but not included in schedules VII and VIII. As to guarantees of securities of other issuers, furnish the information required by rule 12-12. As to warrants or rights granted by the person for whom the statement is filed, to subscribe for or purchase

securities to be issued by such person, furnish the information called for by rule 12-15. As to any other securities, furnish information comparable to that called for by rules 12-10, 12-12, 12-14 or 12-15, as appropriate. Information need not be set forth, however, as to notes, drafts, bills of exchange or bankers' acceptances having a maturity at the time of issuance of less than 1 year.

## ARTICLE 6A. UNIT INVESTMENT TRUSTS

### Rule 6-10A. Application of Article 6A.

This article shall be applicable to financial statements filed for unit investment trusts, including those which are issuers of periodic payment plan certificates, and financial statements filed for unincorporated management investment companies which are issuers of periodic payment plan certificates.

### Rule 6-11. Statements of Condition.

Statements of condition filed for persons to whom this article is applicable shall comply with the following provisions:

#### TRUST PROPERTY

1. **Investment in securities.**—The aggregate cost and the aggregate value of investments included under this caption and caption 2 below shall be shown in the statement of condition parenthetically or otherwise. The method used in determining the "cost" shall be stated. For the purpose of this rule 6-11, "value" has the meaning defined in Section 2 (a) (39) (B) of the Investment Company Act of 1940. State in the statement of condition for each caption the basis of determining the amount at which investments are carried.

(a) **Securities of investment companies.**—State separately (1) trust shares in trusts created or serviced by the depositor or sponsor of this trust; (2) trust shares in other trusts; and (3) securities of other investment companies.

(b) **Securities of other companies.**—State separately (1) marketable securities and (2) other securities.

2. **Investments other than securities.**—State separately each major class. See instructions to caption 1.

3. **Dividends and interest receivable.**

4. **Cash.**

5. **Other property.**—State separately each significant item. State the basis of determining the amounts.

#### LIABILITIES, TRUST SHARES, AND DISTRIBUTABLE FUNDS

6. **Liabilities.**—State separately amounts payable to (a) trustee and custodian; and (b) depositor, sponsor, and their associates. State separately any other significant items.

7. **Reserves not shown elsewhere.**—State separately each significant item. If the caption used for each reserve stated separately is not clearly indicative of the purpose for which the reserve was created, explain the purpose in a note referred to under this caption.

8. **Trust shares.**—State for each class of trust shares (a) the title of issue, the number of trust shares outstanding and the total cost to the investors of such trust shares; (b) the adjustment for market depreciation or appreciation; (c) other deductions from the total cost to the investors for fees, loads, and other charges; and (d) the net amount applicable to the investors. Explain in a note referred to under this caption the deductions for fees, loads, and other charges from the total cost to the investors.

9. **Balance of income and distributable funds applicable to trust shares.**—The amount shown here shall agree with that shown in caption 19 of the related statement of income and distributable funds.

### Rule 6-12. Statements of Income and Distributable Funds.

The statements of income and distributable funds filed for persons to whom this article is applicable shall comply with the following provisions:

## INCOME

1. **Distributions and dividends.**—State separately (a) distributions received on shares of investment trusts, and (b) dividends on other securities. Exclude any distribution or portion thereof received on shares of investment trusts which is known to represent the return of any amount invested in the shares upon which such distribution was paid. Also indicate the basis upon which dividends and distributions are taken into income (*e. g.*, “cash” or “accrual”; and if accrual whether as of declaration or record date); and, as to any distributions and dividends other than cash, the basis on which they have been taken up as income.

2. **Interest.**—State separately interest from (a) securities and (b) other sources.

3. **Other income.**—State separately by class of income each significant amount.

4. **Total income.**

## EXPENSES

5. **Taxes.**

6. **Fees of the trustee and custodian.**

7. **Fees of the depositor and sponsor.**

8. **Legal fees and expenses.**—State separately each significant amount.

9. **Auditing fees and expenses.**—State separately each significant amount.

10. **Other expenses.**—State separately by class of expense each significant amount.

11. **Total expenses.**

12. **Balance of income before gain or loss realized from security transactions.**—See caption 13 below.

13. **Gain or loss realized from security transactions.**—State separately the net of gains and losses arising from transactions in (a) trust shares of trusts created or serviced by the depositor or sponsor of this trust; (b) trust shares in other trusts; and (c) other investments in securities. State here or in a note herein referred to the principle followed in determining the cost of securities sold, *e. g.*, “average cost” or “first-in, first-out.” This caption, and caption 12 above, may be omitted by unit investment trusts provided the information herein required is contained in Schedule III of rule 6-13, and provided there be given in a footnote in the financial statements (a) the aggregate amount received from sale of

securities; (b) the aggregate cost of the securities sold; (c) the realized gain or loss thereon; and (d) the principle followed in determining the cost of securities sold, *e. g.*, “average cost” or “first-in, first-out.”

14. **Net income for the period.**—If captions 12 and 13 are omitted by unit investment trusts, this caption shall be changed to **Net income for the period excluding gain or loss realized from security transactions.**

15. **Balance of income and distributable funds applicable to trust shares at the beginning of the period.**

16. **Additions to distributable funds.**—State separately (a) that portion from the sale of trust shares which represents payments for participation in the balance of income and distributable funds; and (b) any other significant amounts.

17. **Deductions other than distributions.**—State separately (a) amounts withheld (1) for reserves and (2) for investments, and (b) any other significant amounts.

18. **Distribution to shareholders.**—For each class of trust shares state the amount per share and in the aggregate. State, as to any distributions other than cash, the nature of the distributions and the basis of determining the amount charged to income and distributable funds. Indicate here or in a note herein referred to the aggregate distributions made upon the surrender and cancellation of trust shares which represent income and distributable funds applicable thereto at the date of surrender and cancellation.

19. **Balance of income and distributable funds applicable to trust shares at close of the period.**

## Rule 6-13. What Schedules Are To Be Filed.

(a) Schedule IV, specified below, shall be filed as of the date of the most recent statement of condition filed. The other schedules specified shall be filed for each period for which a statement of income and distributable funds is filed. All schedules shall be certified.

(b) Reference to the schedules shall be made against the appropriate captions of the statement of condition and the statement of income and distributable funds.

**Schedule I. Investment in securities.**—The schedule prescribed by rule 12-33 shall be filed

in support of caption 1 of each statement of condition and of captions 1 and 2 of each statement of income and distributable funds.

**Schedule II. Trust shares.**—The schedule prescribed by rule 12-34 shall be filed in support of caption 8 of each statement of condition.

**Schedule III. Gain or loss from transactions in trust property.**—A schedule shall be submitted showing for each investment set forth in Schedule I in which there were any sales or redemptions during the period: (a) the aggregate amount received from sale; (b) the aggregate cost of the investment sold; and (c) the realized gain or loss thereon.

**Schedule IV. Allocation of trust assets to series of trust shares.**—If the trust assets are specifically allocated to different series of trust shares, and if such allocation is not shown in the statement of

condition in columnar form or by the submission of separate statements for each series of trust shares, a schedule shall be submitted showing the amount of trust assets, indicated by each statement of condition filed, which is applicable to each series of trust shares.

**Schedule V. Allocation of trust income and distributable funds to series of trust shares.**—If the trust income and distributable funds are specifically allocated to different series of trust shares and if such allocation is not shown in the statement of income and distributable funds in columnar form or by the submission of separate statements for each series of trust shares, a schedule shall be submitted showing the amount of income and distributable funds, indicated by each statement of income and distributable funds filed, which is applicable to each series of trust shares.

## ARTICLE 6B. FACE-AMOUNT CERTIFICATE INVESTMENT COMPANIES

### Rule 6-20. Application of Article 6B.

This article shall be applicable to financial statements filed by investment companies which are issuers of face-amount certificates.

### Rule 6-21. Special Rules Applicable to Face-Amount Certificate Investment Companies.

The financial statements filed by persons to which this rule is applicable shall be prepared in accordance with the following special rules in addition to the general rules in articles 1, 2, 3, and 4. Where the requirements of a special rule differ from those prescribed in a general rule, the requirements of the special rule shall be met.

1. **Content of financial statements.**—The financial statements shall be prepared in accordance with the requirements of regulation S-X notwithstanding any provision of the articles of incorporation, trust indenture or other governing legal instruments specifying certain accounting procedures inconsistent with those herein required.

2. **Certification.**—Where, under the applicable form, financial statements are required to be certified, the certifying accountant shall have been selected and ratified in accordance with section 32 of the Investment Company Act of 1940 and the applicable rules thereunder.

3. **Consolidated and combined statements.**—(a) Consolidated and combined statements filed for  
Article 6B Rule 6-21

face-amount certificate investment companies shall be prepared in accordance with article 4 except that statements of the registrant which is a face-amount certificate investment company and engages in no business of a material amount other than issuing or servicing of face-amount certificates, may be consolidated only with the statements of subsidiaries which are also face-amount certificate investment companies; *provided, however*, that (i) the subsidiaries are totally held, except as to outstanding face-amount certificates, by the parent, (ii) each face-amount certificate investment company maintains certificate reserves and qualified assets as provided by section 28 of the Investment Company Act of 1940, and (iii) separate financial statements for each company are filed.

(b) Any face-amount certificate investment company may, however, file a consolidating statement which may include totally-held subsidiary companies, except face-amount certificate investment companies, the inclusion of which in consolidation is prohibited by the provisions set forth in paragraph (a). Such consolidating statement shall set forth the individual statement of the parent company and each other company or groups of similar other companies.

4. **Affiliates.**—The term "affiliate" means an "affiliated person" as defined in section 2 (a) (3)

of the Investment Company Act of 1940. The term "control" has the meaning given in section 2 (a) (9) of that Act.

**5. Qualified assets.**—(a) *For companies issuing face-amount certificates subsequent to December 31, 1940 under the provisions of section 28 of the Investment Company Act of 1940*, the term "qualified assets" means qualified investments as that term is defined in section 28 (b) of the Act. A statement to that effect shall be made in the balance sheet.

(b) **For other companies**, the term "qualified assets" means cash and investments which such companies do maintain or are required, by applicable governing legal instruments, to maintain in respect of outstanding face-amount certificates. State in a note to the balance sheet the nature of the investments and other assets so maintained or required to be maintained by such legal instruments. If the nature of the qualified assets and amount thereof are not subject to the provisions of section 28 of the Investment Company Act of 1940, a statement to that effect shall be made.

(c) Loans to security holders may be included as a qualified asset in an amount not in excess of certificate reserves carried on the books of account in respect of each individual certificate upon which the loans were made.

**6. Valuation of qualified assets.**—(a) The balance sheet shall reflect all qualified assets at cost or amortized cost, whichever is appropriate. Such basis shall be explained in a note which should also state the policy followed in writing off or amortizing any premium included in the cost of interest-bearing obligations. State, also, in an appropriate manner the amount of each kind of investments acquired from controlled companies and other affiliates, if material, during the period covered by the profit and loss or income statement, and the method used in determining the cost of any such investments.

(b) Market value of securities shall be stated parenthetically.

(c) Due consideration shall be given to evidence of probable loss and, where evidence indicates an apparently permanent decline in underlying value and earning power, recognition thereof shall be made by means of an appropriate write-down or the establishment of an appropriate reserve.

**7. Certificate reserves.**—(a) *For companies is-*

*suing face-amount certificates subsequent to December 31, 1940 under the provisions of section 28 of the Investment Company Act of 1940*, balance sheets shall reflect reserves for outstanding certificates computed in accordance with the provisions of section 28 (a) of the Act.

(b) **For other companies**, balance sheets shall reflect reserves for outstanding certificates determined as follows:

(i) For certificates of the installment type, such amount which, together with the lesser of future payments by certificate holders or such portion thereof as is credited to the account of certificate holders as and when accumulated at a rate not to exceed 3½ per centum per annum (or such other rate as may be appropriate under the circumstances of a particular case) compounded annually, shall provide the minimum maturity or face amount of the certificate when due.

(ii) For certificates of the fully paid type, such amount which, as and when accumulated at a rate not to exceed 3½ per centum per annum (or such other rate as may be appropriate under the circumstances of a particular case) compounded annually, shall provide the amount or amounts payable when due.

(iii) Such amount or accrual therefor, as shall have been credited to the account of any certificate holder in the form of any credit, or any dividend, or any interest in addition to the minimum maturity or face amount specified in the certificate, plus any accumulations on any amount so credited or accrued at rates required under the terms of the certificate.

(iv) An amount equal to all advance payments made by certificate holders, plus any accumulations thereon at rates required under the terms of the certificate.

(v) Amounts for other appropriate contingency reserves, for death and disability benefits or for reinstatement rights on any certificate providing for such benefits or rights.

**8. Inapplicable captions.**—Attention is directed to the provisions of rules 3-02 and 3-03 (a) which permit the omission of separate captions in financial statements as to which the items and conditions are not present, or the amounts involved are not material. However, amounts involving directors, officers and affiliates shall nevertheless be separately set forth except as

otherwise specifically permitted under a particular caption.

#### **Rule 6-22. Balance Sheets.**

Balance sheets filed under this rule shall comply with the following provisions:

#### **ASSETS AND OTHER DEBITS**

##### **QUALIFIED ASSETS**

(See rule 6-21-5 (a) and (b))

1. **Cash and cash items.**—State separately (a) cash on hand, demand deposits, and time deposits; (b) call loans; and (c) funds subject to withdrawal restrictions.

2. **Dividends and interest receivable.**—(a) Dividends shall not be included before the ex-dividend date, nor unless payment is reasonably assured by past experience, guaranty, or otherwise. No dividend shall be included on stocks issued or assumed by the company and held by or for it, whether held in its treasury, in sinking or other special funds, or pledged as collateral.

(b) Interest due or accrued on bonds, notes, deposits, loans, open accounts, and other interest-bearing obligations owned, shall not be included unless payment is reasonably assured by past experience, guaranty, or otherwise. No interest shall be included on securities issued or assumed by the company and held by or for it, whether held in its treasury, in sinking or other special funds, or pledged as collateral.

3. **Notes receivable.**

4. **Accounts receivable.**

5. **Reserves for doubtful receivables.**—Notes and accounts receivable known to be uncollectible shall be excluded from the assets as well as from any reserve account.

6. **Investments in unaffiliated issuers.**—See rule 6-21-6.

(a) **Securities.**—State separately investments in (i) United States Government bonds and other obligations (including only direct obligations of the United States Government); (ii) other bonds; and (iii) other securities.

(b) **First mortgage loans on real estate.**—State separately (i) mortgages insured by an agency acting as an instrumentality of the United States Government; (ii) mortgages guaranteed by an agency acting as an instrumentality of the United States Government; and (iii) other first mortgages.

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There shall also be shown in an appropriate manner (1) the aggregate amount of self-amortizing mortgages, and (2) the amount of mortgages in respect of which interest or principal payments are past due for more than three months.

(c) **Other mortgage loans on real estate.**—Such classification shall be used as is appropriate under the circumstances.

(d) **Reserves for investments in unaffiliated issuers.**

(e) There shall be shown in an appropriate manner the average gross rates of return realized by the company, for each period for which profit and loss or income statements are filed, on each class of investment shown in this caption.

7. **Real estate owned.**—State separately (a) real estate acquired through foreclosure of mortgages; and (b) other real estate investments.

8. **Reserve for real estate owned.**

9. **Loans to certificate holders secured by certificate reserves.**—See rule 6-21-5 (c).

10. **Other qualified assets.**—State separately (a) investments in and advances to controlled companies and (b) other affiliates; (c) each special fund of a material amount; (d) unamortized premium on mortgages; and (e) any other material amounts.

11. **Total qualified assets.**—State in a note the amount of qualified assets on deposit classified as to general classes of assets and as to general types of depositaries, such as banks and states, together with a statement as to the purpose of the deposits.

##### **OTHER ASSETS**

12. **Investments in unaffiliated issuers, not included in total of caption 11.**—State separately each class of investment.

13. **Investments in and advances to affiliates.**—State separately investments in (a) controlled companies and (b) other affiliates. The basis of determining the amount shall be explained in an appropriate manner.

14. **Prepaid expenses and other deferred items.**—State separately any material items. State in a note to this caption the provisions which have been made to write off or amortize such items.

15. **Other assets.**—State separately (a) amounts due from directors and officers, and (b) any other



item in excess of 5 percent of the amount of all assets other than qualified assets.

## LIABILITIES, CAPITAL SHARES, AND SURPLUS

### CERTIFICATE RESERVES AND CURRENT LIABILITIES

**16. Certificate reserves.**—State separately reserves for (a) certificates of the installment type; (b) certificates of the fully paid type; (c) advance payments; (d) additional amounts accrued for or credited to the account of certificate holders in the form of any credit, dividend, or interest in addition to the minimum maturity amount specified in the certificate; and (e) other certificate reserves. State in an appropriate manner the basis used in determining the reserves, including the rates of interest of accumulation.

**17. Current liabilities, exclusive of certificate reserve liabilities.**

(a) **Notes payable.**—State separately amounts payable within one year (i) to banks and (ii) to others.

(b) **Accounts payable.**—State separately (i) amounts payable for purchase of securities and (ii) other accounts payable.

(c) **Accrued liabilities.**—State separately (i) accrued salaries; (ii) tax liability; (iii) interest; and (iv) any other material item. If the total under this subcaption is not material, it may be stated as one amount.

(d) **Sundry liabilities of a current nature.**—State separately (i) dividends declared; (ii) serial bonds, notes and mortgages installments and mortgages due within one year; (iii) total of current amounts due to affiliates; (iv) total of current amounts due directors and officers; and (v) other items of material amount.

**18. Total certificate reserves and current liabilities.**

### OTHER LIABILITIES

**19. Funded debt.**—If any amount included herein will fall due within one year, indicate such amount and explain in a note the reason for not including such amount as a current liability.

**20. Indebtedness to affiliates—Not current.**—State separately amounts due to (a) controlled companies, and (b) other affiliates.

**21. Other long-term debt.**—Indicate whether secured. State separately (a) total of amounts

due directors and officers; and (b) other long-term debt, specifying any material item. State separately by years, in the balance sheet or in a note therein referred to, total amounts of respective maturities for the 5 years following the date of the balance sheet.

**22. Other liabilities.**—State separately any amount in excess of 10 percent of the total of liabilities other than certificate reserves, funded debt, capital shares and surplus.

### DEFERRED INCOME

**23. Deferred income.**—State separately each material item and the basis of taking amounts reported under this caption into income.

### RESERVES NOT SHOWN ELSEWHERE

**24. Reserves not shown elsewhere.**—State separately each major class and indicate clearly its purpose.

### CAPITAL SHARES AND SURPLUS

**25. Capital shares.**—State for each class of shares (a) the title of issue; (b) the number of shares authorized; and (c) the number of shares outstanding and the capital share liability thereof. Show also the dollar amount, if any, of capital shares subscribed but unissued, and of subscriptions receivable thereon.

**26. Surplus.**—(a) Show the division of this item into (i) paid-in surplus; (ii) other capital surplus; (iii) earned surplus.

(b) If undistributed earnings of subsidiaries are included, state the amount thereof parenthetically, or otherwise. Due consideration shall be given to the propriety of including any undistributed earnings on which restrictions are imposed.

(c) An analysis of each surplus account setting forth the information prescribed by rule 11-02 shall be given for each period for which a profit and loss or income statement is filed, as a continuation of the related profit and loss or income statement or in the form of a separate statement of surplus, and shall be referred to in the balance sheet.

## Rule 6-23. Profit and Loss or Income Statements.

Statements filed under this rule shall comply with the following provisions:

## INVESTMENT INCOME AND EXPENSES

(Including Servicing and Loading Income and Expenses)

1. **Income.**—(a) State separately (i) interest on mortgages; (ii) interest on securities; (iii) cash dividends; (iv) rentals; and (v) other investment income. If income from investments in or indebtedness of affiliates is included hereunder, such income shall be segregated under an appropriate caption subdivided to show separately income from controlled companies and from other affiliates.

(b) Due consideration shall be given to the propriety of treating as income, dividends on stock acquired or disposed of during the period of report.

(c) Due consideration shall be given to the propriety of treating extraordinary dividends as income. For the purpose of this rule the term "extraordinary dividends" shall mean (i) dividends which are known to have been declared out of sources other than current earnings or earned surplus and (ii) dividends which are declared otherwise than out of earnings of the current or preceding year and are abnormal in size in relationship to the value of the securities upon which declared.

(d) Dividends in arrears on preferred stock may not be treated as income in an amount which exceeds an amount arrived at by applying the stated dividend rate to the period during which the stock has been held, *provided*, that, in computing the period held, periods of more than one-half of a quarter-year may be treated as full quarter-years, if periods of less than one-half of a quarter-year are not counted. Any such dividends which are treated as income but which are applicable to periods prior to the current fiscal year shall be included under caption 1 (a) (v).

(e) Dividends by controlled companies may be treated as income only to the extent that they are out of earnings subsequent to (i) the date of acquisition or (ii) the effective date of a reorganization or quasi-reorganization of the receiving company, if such date is subsequent to the date of acquisition.

(f) Due consideration shall be given to the propriety of treating, as income, interest received on investments which were in default when acquired. Any such interest which may be treated as income shall not be treated as ordinary interest in-

come in an amount in excess of the amount arrived at by applying the stated interest rate to the period of report, and any excess thereof shall be included under caption 1 (a) (v) above. The policy followed in accounting for such interest shall be stated in a note.

(g) Common stock received as a dividend on common stock of the same issuer shall not be treated as income, and no amount shall be debited to investments or credited to income or surplus at the time such dividend is received.

(h) State as to any non-cash dividends, other than stock dividends referred to in paragraph (g), and as to preferred stock received as a stock dividend, the basis on which taken up as income. If any such dividends received from controlled companies have been credited to income in an amount different from that charged to income or earned surplus by the disbursing company, state the amount of such difference and explain.

(i) State separately each category of other investment income representing more than 5 percent of the total of such income shown under caption 1 (a) (v).

(j) Dividends and interest applicable to an issuer's own securities held in its treasury or its sinking or other special funds shall not be treated as income.

2. **Service fees on certificate installment payments.**—State in a note the basis on which taken up as income.

3. **Loading credits on certificate installments.**—State separately (a) the portion of initial loading credits applicable to the current year, and (b) other loading credits. State in a note the basis on which taken up as income.

4. **Other income.**—State separately each material item.

5. **Total investment income.**

6. **Investment expenses.**—State separately each category of expense representing more than 5 percent of the total expense. There shall also be shown in an appropriate manner (a) the amount of management, service and other fees to unaffiliated persons; (b) the amount of management, service and other fees to affiliated persons, indicating in a note or otherwise (i) the name of each such person accounting for 10 percent or more of the total under this subcaption, (ii) the nature of the affiliation between the company and each

such person, (iii) the amount applicable to each such person, and (iv) the basis and methods of computing management or service fees; and (c) other expenses within the person's own organization in connection with research, selection, and supervision of investments. State in a note referred to under this item the basis and methods of computing management, service and other fees and if none was incurred for the period of report, the reason therefor. If any of the expenses were paid otherwise than in cash, state the details in a note referred to under this caption.

**7. Taxes.**—The amount included under this caption shall represent taxes (other than taxes on income) applicable to investment income.

**8. Interest and debt discount and expense.**—State separately (a) interest on funded debt; (b) amortization of debt discount and expense or premium; and (c) other interest.

**9. Total investment expenses.**

**10. Investment income less investment expenses.**

**11. Provision for certificate reserves.**—State separately provision for additional credits, or any dividends, or any interests, in addition to the minimum maturity or face amount specified in the certificates. State also in an appropriate manner reserve recoveries from surrenders or other causes.

**12. Net investment income less provision for certificate reserves.**

#### OTHER INCOME AND EXPENSES

**13. Income from other operations.**—State separately, with explanation, any material amounts, designating clearly the nature of the transactions out of which the items arose. Income from operations with affiliated companies shall be stated separately. Realized gain or loss on sale of mortgage loans on real estate shall be included under this caption, *provided*, such sales are part of the ordinary and recurring operations of the business.

**14. Expenses applicable to income from other operations.**—State separately, with an explanation, any material amounts. Information comparable to that required under caption 6 of this rule shall be given for items shown under this caption.

**15. Net income from other operations.**

**16. Net investment income and net income from other operations before realized gain or loss on investments.**

#### GAIN OR LOSS ON INVESTMENTS

**17. Realized gain or loss on sales of investments.**—(a) State in an appropriate manner the aggregate cost, aggregate proceeds, and net gain or loss from sales of each of the following classes of investments; (i) investments in securities of affiliates; (ii) investments in other securities, showing United States Government bonds and other direct government obligations separately; and (iii) other investments, exclusive of gain or loss on sale of mortgage loans on real estate. See text under caption 13 above.

(b) Transactions in shares of the person for which the statement is filed shall not be included here.

(c) State in a note the aggregate cost of securities acquired during the period, showing separately (i) United States Government bonds and other direct government obligations; (ii) other securities; and (iii) mortgages on real estate.

(d) State the basis followed in determining the cost of investments sold. If a basis other than average cost is used, state, if practicable, the gain or loss computed on the basis of average cost.

**18. Realized gain or loss on other transactions.**—(a) Include under this caption exchanges of investments. Show the aggregate cost of the investments released, stating, as to interest-bearing obligations, principal and interest separately and, as to the proceeds of the exchanges, the aggregate amount at which the investments acquired were recorded in the accounts.

(b) Include also under this caption any write-downs required by rule 6-21-6. Show the aggregate cost and the aggregate adjusted cost of the investments involved.

**19. Net income before provision for income taxes.**

**20. Provision for taxes on income.**—State separately (a) Federal income taxes, and (b) other income taxes.

**21. Net income or loss.**—The amount included under this caption shall be carried to the related subdivision of surplus.

**Rule 6-24. What Schedules Are To Be Filed.**

(a) Except as otherwise expressly provided in the applicable forms:

(1) The schedules specified below in this rule as schedules I, V, XI, XII, and XIII shall be filed as of the date of the most recent balance sheet filed for each person and for each group for which separate statements are filed. Such schedules shall be certified if the related balance sheet is certified.

(2) All other schedules specified below in this rule shall be filed for each period for which a profit and loss or income statement is filed, except as indicated below for schedules III and IV. Such schedules shall be certified if the related profit and loss or income statement is certified.

(b) The information required in schedules for the registrant, for the consolidated subsidiaries and for the registrant and its subsidiaries consolidated may be presented in the form of a single schedule, *provided*, that items pertaining to the registrant and to each consolidated subsidiary or group for which separate statements are required are separately shown and that such single schedule affords a properly summarized presentation of the facts.

(c) If the information required by any schedules (including the notes thereto) may be shown in the statements required by rule 6-22 and 6-23 without making such statements unclear or confusing, that procedure may be followed and the schedule omitted.

(d) Reference to the schedules shall be made against the appropriate captions of the balance sheet and the profit and loss or income statement.

**A. INVESTMENT SCHEDULES****Schedule I. Investment in securities of unaffiliated issuers.**

The schedule prescribed by rule 12-35 shall be filed in support of captions 6 (a) and 12 of each balance sheet. Separate schedules shall be furnished in support of each caption, if applicable.

**Schedule II. Investments in and advances to affiliates and income thereon.**

The schedule prescribed by rule 12-36 shall be filed in support of captions 10 and 13 of each

balance sheet and caption 1 (a) of each profit and loss or income statement. Separate schedules shall be furnished in support of each caption, if applicable.

**Schedule III. Mortgage loans on real estate and interest earned on mortgages.**

The schedule prescribed by rule 12-37 shall be filed in support of captions 6 (b) and (c) and 12 of each balance sheet and caption 1 (a) (i) of each profit and loss or income statement, except that only the information required by column G and note 8 of the schedule need be furnished in support of profit and loss or income statements for years for which related balance sheets are not required.

**Schedule IV. Real estate owned and rental income.**

The schedule prescribed by rule 12-38 shall be filed in support of captions 7 and 12 of each balance sheet and caption 1 (a) (iv) of each profit and loss or income statement for rental income included therein, except that only the information required by columns H, I, and J, and item "Rent from properties sold during the period" and note 4 of the schedule need be furnished in support of profit and loss or income statements for years for which related balance sheets are not required.

**B. MISCELLANEOUS SCHEDULES****Schedule V. Qualified assets on deposit.**

The schedule prescribed by rule 12-41 shall be filed in support of note required by caption 11 of rule 6-22 as to total amount of qualified assets on deposit.

**Schedule VI. Amounts due from directors and officers.**

The schedule prescribed by rule 12-03 shall be filed with respect to each person among the directors and officers from whom any amount was owed at any time during the period for which related profit and loss or income statements are filed. The schedule shall include also amounts due from employees. These amounts may be shown in an aggregate amount setting forth separately the amount due (1) from office employees and (2) sales employees, stating the total number of employees in each class. State if an exemption has been

granted by the Commission with respect to amounts included in this schedule.

**Schedule VII. Indebtedness to affiliates—Not current.**

The schedule prescribed by rule 12-11 shall be filed in support of caption 20 of each balance sheet. This schedule and schedule II may be combined if desired.

**Schedule VIII. Supplementary profit and loss information.**

The schedule prescribed by rule 12-39 shall be filed in support of each profit and loss or income statement.

**C. RESERVE SCHEDULES**

**Schedule IX. Certificate reserves.**

The schedule prescribed by rule 12-40 shall be filed in support of caption 16 of each balance sheet.

**Schedule X. Reserves—Other.**

The schedule prescribed by rule 12-13 shall be filed in support of all other reserves included in the balance sheet.

**D. CAPITAL SECURITIES**

**Schedule XI. Funded debt.**

The schedule prescribed by rule 12-10 shall be filed in support of caption 19 of each balance sheet.

**Schedule XII. Capital shares.**

The schedule prescribed by rule 12-14 shall be filed in support of caption 25 of each balance sheet.

**Schedule XIII. Other securities.**

Schedules shall be filed in respect of any classes of securities issued by the person for whom the statement is filed, but not included in schedules XI and XII. As to guarantees of securities of other issuers, furnish the information required by rule 12-12. As to warrants or rights granted by the person for whom the statement is filed, to subscribe for or purchase securities to be issued by such person, furnish the information called for by rule 12-15. As to any other securities, furnish information comparable to that called for by rules 12-10, 12-12, 12-14 or 12-15, as appropriate. Information need not be set forth, however, as to notes, drafts, bills of exchange or bankers' acceptances having a maturity at the time of issuance of less than one year.

## ARTICLE 7. INSURANCE COMPANIES OTHER THAN LIFE AND TITLE INSURANCE COMPANIES

### Rule 7-01. Application of Article 7.

This article shall be applicable to financial statements filed for insurance companies other than life and title insurance companies. (Title insurance companies shall comply with the requirements of Article 5.)

### Rule 7-02. General Requirement.

Except as otherwise provided in this article, persons subject to this article shall follow the rules and instructions governing the definition and computation of items in annual statements to their State regulatory authority. If the registrant deviates from such rules and instructions of its State regulatory authority, except in accordance with the provisions of this article, the reason for and effect of such deviation shall be stated.

### Rule 7-03. Balance Sheets.

Balance sheets filed for insurance companies other than life and title insurance companies shall comply with the following provisions:

#### ADMITTED ASSETS

1. **Bonds.**
2. **Investments in stocks other than stocks of affiliates.**—State separately: (a) preferred stocks and (b) common stocks.
3. **Investments in stocks of affiliates.**
  - (a) **In insurance companies.**—Include only stocks of insurance companies under this subcaption.
  - (b) **In other affiliates.**—Include under this subcaption stocks of other affiliates. If any such “other affiliate” controls insurance companies, the stock of such “other affiliate” shall be included under this subcaption, and the fact of such control shall be stated in a note to the balance sheet.
4. **Mortgage loans on real estate.**—State separately (a) first liens and (b) other than first liens.
5. **Real estate.**—State parenthetically the amount of encumbrances deducted.
6. **Cash and cash items.**—State separately (a) cash on hand, demand deposits, and time deposits and (b) call loans.
7. **Agents’ balances and/or gross premiums in**

**course of collection.**—State parenthetically the amount of ceded reinsurance balances payable deducted, if material.

8. **Due from other insurance companies.**—Include reinsurances recoverable on losses paid, etc.; do not include premium balances.

9. **Interest, dividends and real estate income due and accrued.**

10. **Other assets.**—State separately any significant items.

#### LIABILITIES, CAPITAL SHARES AND SURPLUS

11. **Losses and claims.**
12. **Loss adjustment expenses.**
13. **Unearned premiums.**
14. **Dividends declared and unpaid.**—State separately amounts payable to (a) policyholders and (b) stockholders.
15. **Borrowed money.**—State here or in a note as to each loan (a) from whom borrowed, (b) date of loan, (c) repayment terms and other conditions governing each loan, (d) due date, (e) extensions granted, (f) original amount, and (g) interest rate.
16. **Other liabilities.**—State separately any significant items.
17. **Commitments and contingent liabilities.**—See rules 3-18, 3-19(g) and 7-05-4.
18. **Capital shares.**—State for each class of shares the title of issue, the number of shares authorized, the number of shares outstanding and the capital share liability thereof, and, if convertible, the basis of conversion. Show also the dollar amount, if any, of capital shares subscribed but unissued, and of subscriptions receivable thereon.
19. **Surplus.**—(a) Separate captions shall be shown for (1) paid-in surplus, (2) surplus arising from revaluation of assets, (3) other capital surplus, and (4) earned surplus (i) appropriated and (ii) unappropriated. There shall be included under earned surplus, appropriated, all reserves and segregations of surplus, mandatory or voluntary, which are general contingency reserves whose purposes are not specific, or reserves for indefinite possible future losses, such as, for example, for future decline in value of investments or for contingencies.

(b) If undistributed earnings of subsidiaries are included, state the amount thereof parenthetically or otherwise. However, in a consolidated statement the preceding sentence shall have reference only to the undistributed earnings of subsidiaries not consolidated in such statement.

(c) An analysis of each surplus account setting forth the information prescribed in Rule 11-02 shall be given for each period for which a profit and loss statement is filed, as a continuation of the related profit and loss statement or in the form of a separate statement of surplus, and shall be referred to here. In this statement caption 3, **Other additions to surplus**, shall be subdivided to show (1) unrealized gain on bonds and stocks from change in market values, (2) unrealized gain on other investments from change in market values, and (3) all others, designating clearly the nature thereof. Likewise, caption 4, **Deductions from surplus other than dividends**, shall be subdivided to show (A) unrealized loss on bonds and stocks from change in market values, (B) unrealized loss on other investments from change in market values, and (C) all others, designating clearly the nature thereof.

(d) If separate balances are not shown in the accounts for the divisions of surplus in (a) above other than for earned surplus appropriated, *i.e.*, if the company has not, up to the opening of the period of report, differentiated in its accounting for surplus as indicated, then the unsegregated surplus may be stated in one amount, and, in lieu of such segregation, there shall be given as a note an analysis of surplus since organization. Such analysis shall show (1) total net income after income taxes, (2) aggregate dividends paid (A) in cash, and (B) in capital stock, (3) total paid-in surplus, (4) unrealized gain or loss from change in market values, (5) aggregate transfers to reserves, (6) change in non-admitted assets, and (7) other additions or deductions of material amount, indicating clearly the nature of the item.

#### **Rule 7-04. Profit and Loss or Income Statements.**

Profit and loss or income statements filed for insurance companies other than life and title insurance companies shall comply with the following provisions:

#### **UNDERWRITING PROFIT OR LOSS**

1. **Net premiums written.**—State premiums written including reinsurance assumed less reinsurance ceded.
2. **Increase or decrease in unearned premiums.**
3. **Premiums earned.**
4. **Losses incurred.**
5. **Loss expense incurred.**
6. **Balance.**
7. **Commissions and brokerage.**—State commissions and brokerage less amount received on return premiums and reinsurance.
8. **Salaries and other compensation.**—State the total amount paid to directors, officers, employees and agents not paid by commission other than amounts allocable to loss and investment expense.
9. **Taxes, licenses and fees.**—State the total amount excluding income taxes.
10. **All other underwriting expenses.**—Include hereunder all other underwriting expenses not included above. State separately any material amount. Do not include investment expense under this caption.
11. **Other underwriting profit or loss.**—Include the income or loss from unusual or nonrecurring contingent profits or reinsurance agreements, pools and other miscellaneous contracts, licenses and agreements, etc. Give in a note a brief explanation of any items included in this account.
12. **Profit or loss from underwriting.**

#### **INVESTMENT INCOME OR LOSS**

13. **Interest on bonds.**
14. **Dividends.**—State separately dividends from (a) unaffiliated companies and (b) affiliated companies.
15. **Interest on mortgage loans.**
16. **Real estate income.**
17. **Other investment income.**—State separately any material amount.
18. **Total investment income.**
19. **Investment expense.**—Include interest on encumbrances, real estate expense, supervisory service, other fees, salaries, administrative expenses, etc. State separately any material amounts.

20. **Net investment income.**—Realized gains or losses on investments shall be reported in caption 26 below. Unrealized gains or losses resulting from change in market values shall be reported in the appropriate surplus account.

21. **Total income and profit or loss from underwriting and investment.**

22. **Dividends to policyholders.**

23. **Net income or loss before provision for income taxes.**

24. **Provision for income taxes.**—State separately (a) Federal normal income tax and surtax, and (b) other income taxes. Amounts allocable to realized gains or losses on investments shall be reported in caption 26 below.

25. **Net income or loss.**

26. **Realized gains or losses on investments.**—State parenthetically or otherwise the amount of income taxes deducted.

27. **Net income or loss and realized gains or losses on investments.**

#### **Rule 7-05. Special Notes to Financial Statements.**

1. Assets shall be set forth in the balance sheet at admitted asset values. Book values of assets included under captions 1, 2, 3(a), 3(b), 4 and 5 shall be shown parenthetically or in a note.

The total amount of non-admitted assets shall be stated in a note, and if such amount exceeds one percent of the total admitted assets then a separate statement shall be presented showing the details of such assets. State in a note or otherwise the amount of assets charged to income or surplus immediately upon acquisition during the period, if significant.

There shall also be added as a note to the financial statements the following:

The term "admitted assets" means the assets stated at values at which they are permitted to be reported to the respective domiciliary State regulatory authority for balance sheet purposes in the annual report in accordance with the rules and regulations of such regulatory authority.

The term "non-admitted assets" means assets other than assets which are so permitted to be reported.

2. State in tabular form in a note or otherwise, together with appropriate explanation, a reconciliation of material differences between (a) capital share equity as reported on the balance sheet and capital share equity as determined in accordance with generally accepted accounting

principles and practices, and (b) net income or loss as reported on the profit and loss or income statement and net income or loss as determined in accordance with generally accepted accounting principles and practices.

3. State in a note the amount of surplus not available for payment of dividends to stockholders. See rule 3-19(f).

4. Explain in a note the basis of determining the unearned premiums and the estimated liability for losses and claims and state the amounts deducted in respect of reinsurance carried with other companies.

5. If the company wrote mortgage guaranty surety bonds during the period of report, state the amount of liability in force therefor as of the date of the balance sheet.

#### **Rule 7-06. What Schedules Are To Be Filed.**

(a) Except as expressly provided otherwise in the applicable form:

(1) The schedules specified below in this rule as schedules I, II, III, IV, V, VI, VIII, and IX shall be filed as of the date of the most recent balance sheet filed for each person or group. Such schedules shall be certified if the related balance sheet is certified.

(2) All other schedules specified below in this rule shall be filed for each period for which a profit and loss statement is filed. Such schedules shall be certified if the related profit and loss statement is certified.

(b) Reference to the schedules shall be made against the appropriate captions of the balance sheet and the profit and loss statement.

(c) If the information required by any schedule (including the footnotes thereto) may be shown in the related balance sheet or profit and loss statement without making such statement unclear or confusing, that procedure may be followed and the schedule omitted.

**Schedule I. Bonds.**—The schedule prescribed by rule 12-23 shall be filed in support of caption 1 of each balance sheet.

**Schedule II. Stocks—Other than stocks of affiliates.**—The schedule prescribed by rule 12-24 shall be filed in support of caption 2 of each balance sheet.

**Schedule III. Mortgage loans on real estate.**—The schedule prescribed by rule 12-25 shall be



filed in support of caption 4 of each balance sheet.

**Schedule IV. Real estate.**—The schedule prescribed by rule 12-26 shall be filed in support of caption 5 of each balance sheet.

**Schedule V. Summary of investments in securities—Other than securities of affiliates.**—The summary schedule prescribed by rule 12-27 shall be filed in conjunction with schedules I and II.

**Schedule VI. Investments in stocks of affiliates.**—The schedule prescribed by rule 12-28 shall be filed in support of caption 3 of each balance sheet.

**Schedule VII. Premiums, losses and underwriting expense.**—The schedule prescribed by rule 12-29 shall be filed in support of caption 13 of each balance sheet and captions 1, 3, 4, 5, 7, 8, 9, and 10 of each profit and loss statement.

**Schedule VIII. Capital shares.**—The schedule prescribed by rule 12-14 shall be filed in support of caption 18 of each balance sheet.

**Schedule IX. Other securities.**—If there are any classes of securities not included in schedule VII, set forth in this schedule information concerning such securities corresponding to that required for the securities in such schedule. If the securities required to be reported on the schedules prescribed by rules 12-10, 12-12 or 12-15 are present, those schedules should be used. Information need not be set forth, however, as to notes, drafts, bills of exchange or bankers' acceptances having a maturity at the time of issuance of not exceeding 1 year.

**Schedule X. Income from dividends—Equity in net profit and loss of affiliates.**—The schedule prescribed by rule 12-17 shall be filed in support of caption 14(b) of each profit and loss statement.

**Schedule XI. Summary of realized gains or losses on sale or maturity of investments.**—The schedule prescribed by rule 12-30 shall be filed in support of caption 26 of each profit and loss statement.

## ARTICLE 8. COMMITTEES ISSUING CERTIFICATES OF DEPOSIT

### Rule 8-01. Application of Article 8.

This article shall be applicable to financial statements filed for committees issuing certificates of deposit.

### Rule 8-02. Statements of Assets and Liabilities.

Statements of assets and liabilities shall be in the following form:

#### STATEMENT OF ASSETS AND LIABILITIES

As of \_\_\_\_\_

##### ASSETS

Cash.....	_____
Receivables (specify).....	_____
Advances to committee members or secretary.....	_____
Investments in securities (specify) <sup>1</sup> .....	_____
Miscellaneous other assets (specify) <sup>2</sup> .....	_____
Subtotal.....	_____
Expenses of committee chargeable against deposited securities <sup>3</sup> .....	_____
Total.....	_____

##### LIABILITIES

Notes payable:	
To banks (detail security).....	_____
To others (specify and detail security).....	_____
Accounts payable.....	_____

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Other liabilities <sup>4</sup>.....

Total.....

<sup>1</sup> Each issue of securities shall be shown either here or in a schedule herein referred to. State the basis of determining the amount at which carried and, if available, the aggregate amount at current market quotations.

<sup>2</sup> Each class of "Miscellaneous Other Assets," if significant, shall be specified either here or in a schedule herein referred to. State the basis for determining the amount at which carried.

<sup>3</sup> State in a note to this item any limits fixed by the deposit agreement or otherwise upon the compensation and expenses of the Committee, and also the nature and extent of any lien of the Committee on the deposited securities for such compensation and expenses.

<sup>4</sup> (a) Each class of "Other Liabilities" shall be specified either here or in a schedule herein referred to.

(b) In a note describe briefly the nature of any commitment for compensation or other expenditures not included in "Other Liabilities," and state the amount or any basis agreed upon for determining the amount thereof. Describe briefly the general nature of any services rendered to the Committee, the cost of which is not included in "Other Liabilities" and as to which no commitment for compensation has been made. Separate descriptions of the services of the Committee, the secretary thereof, counsel, accountants, appraisers, depository, and persons performing similar functions shall be given.

**Rule 8-03. Statements of Cash Receipts and Disbursements.**

Statements of cash receipts and disbursements shall be in the following form:

**STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS <sup>1</sup>**

**RECEIPTS**

Proceeds from loans and advances <sup>2</sup> —	
Against deposited securities.....	
Other.....	
	<hr/>
Assessments—	
On withdrawn securities.....	
Others (specify).....	
	<hr/>
Total.....	
	<hr/>
Other receipts—	
Dividends.....	
Interest.....	
All other (specify).....	
	<hr/>
Total.....	
	<hr/>
Total receipts.....	

**DISBURSEMENTS**

For committee expenses—	
Compensation and fees to:	
Committee members.....	
Secretary.....	
Attorneys.....	
Solicitors for deposits.....	
Depositary.....	
Others <sup>3</sup> .....	
	<hr/>
Total.....	
Interest.....	

For committee expenses—Continued

    Other committee expenses <sup>2</sup>—

        Total committee expenses.....

Other disbursements—

    Purchase of securities called for deposit.....

    Purchase of other securities.....

    All other (specify).....

        Total other disbursements.....

        Total disbursements.....

**SUMMARY**

Cash balance at beginning of period.....

Add total receipts.....

    Total.....

Deduct total disbursements.....

    Cash balance at close of period <sup>4</sup>.....

<sup>1</sup> If statements are required for different periods the statements shall be presented in columnar form, if practicable.

<sup>2</sup> Include under this caption only advances to be reimbursed by the Committee. Under each of the two sub-captions state separately amounts received from (a) banks, (b) original underwriters of issues called for deposit, (c) individuals, (d) committee members and (e) others (specify).

<sup>3</sup> Such expenses shall be specified in reasonable detail either here or in a schedule herein referred to, indicating amounts for clerical, statistical, and other expenses paid to (a) original underwriters of issues called for deposit and any affiliates of such underwriters and (b) affiliates of committee members.

<sup>4</sup> The cash balance at the close of the most recent period shall agree with the cash shown in the statement of assets and liabilities as of the same date.

## ARTICLE 9. BANK HOLDING COMPANIES AND BANKS

**Rule 9-01. Application of Article 9.**

(a) **Bank holding companies.**—Financial statements filed for bank holding companies shall be prepared in accordance with article 5 and rules 9-02, 9-03, and 9-04 of this article.

(b) **Banks.**—Financial statements filed for banks shall be prepared in accordance with rule 9-05 of this article.

**Rule 9-02. Balance Sheets of Bank Holding Companies.**

(a) Notwithstanding the provisions of rule 5-02, current assets and current liabilities need not be separately classified as such.

(b) Any amounts with respect to affiliated banks

includible under the following captions prescribed by rule 5-02 shall be set forth separately under the respective captions:

(1) Caption 1—**Cash and cash items.**

(2) Caption 9—**Securities of affiliates.**

(3) Caption 10—**Indebtedness of affiliates—**

**Not current.**

(4) Subdivision (a) of caption 22—**Notes payable.**

(5) Subdivisions (c) and (e) of caption 25—**Other current liabilities.**

(6) Caption 29—**Indebtedness to affiliates—**

**Not current.**

(c) The segregated amounts shown under cap-

tion 9, **Securities of affiliates**, applicable to securities of affiliated banks shall preferably be stated at net tangible asset value.

**Rule 9-03. Profit and Loss or Income Statements of Bank Holding Companies.**

The following captions shall be in complete substitution for captions 1A to 8, inclusive, of rule 5-03.

1. **Income.**—(a) State separately the total of income from (1) cash dividends, (2) interest, (3) management and service fees, and (4) other income (specifying any significant items), exclusive of profits and income under caption 9, **Profits on securities**, and caption 10, **Miscellaneous other income**.

(b) As to dividends, state separately, if significant, the amount from (1) securities of affiliates, (2) marketable securities, and (3) other security investments.

(c) State as to any dividends other than cash, the basis on which they have been taken up as income and the justification, if any, for such action. If any such dividends received from affiliates have been credited to income in an amount different from that charged to income or earned surplus by the disbursing company, state the amount of such difference and explain.

(d) As to interest, state separately, if significant, the amount from (1) securities of affiliates and indebtedness of affiliates, (2) marketable securities, and (3) other security investments.

2. **Expenses for salaries.**—State separately the total of salaries (a) to directors and officers, and (b) to others. If paid in other than cash, state the details in a note referred to in the profit and loss statement.

3. **Taxes.**—Other than income and excess profits taxes.

4. **Other expenses.**—State separately by class of expense any significant amounts.

5. **Balance.**

**Rule 9-04. What Schedules Are To Be Filed for Bank Holding Companies.**

The following special provisions shall be applicable to the schedules specified in rule 5-04:

**Schedule I.**—The schedule prescribed by rule 12-02 shall be filed in support of captions 2 and 11 of each balance sheet.

**Schedule III.**—The caption of the schedule prescribed by rule 12-04 shall be changed to read as follows: **Schedule III. Investments in securities of affiliates other than banks.**

**Schedule III-A.—Investments in securities of affiliates—Banks.**—The schedule prescribed by rule 12-32 shall be filed for each balance sheet in support of the special subdivision of caption 9 prescribed by rule 9-02(b).

**Rule 9-05. Statements of Banks.**

(a) Statements of banks need not be certified.

(b) Statements of banks shall be prepared from, and in substantially the same form as, the "Reports of Condition" and the "Reports of Earnings and Dividends" prescribed by the Comptroller of the Currency or the Board of Governors of the Federal Reserve System or the Federal Deposit Insurance Corporation. Such statements shall be accompanied by the schedules called for in such "Reports of Condition" except the schedules relating to (1) the names of officers and directors, liabilities, if any, and par value of capital owned; (2) loans or balances exceeding the limit prescribed by State law; (3) contingent liabilities; and (4) branches and branch offices. In case any bank did not report to one of such Federal authorities, the financial data concerning such bank shall be drawn from the reports required by its respective State authority, and shall be commensurate with that required concerning a bank that does report to one of such Federal authorities.

(c) Each statement of a bank and each combined statement of bank subsidiaries required to be filed shall be supplemented by an attached schedule showing the following:

(1) Book value, and market, or, if there is no market, appraised value, separately stated, of (A) direct obligations of, and obligations fully guaranteed by, the United States Government; (B) investments in affiliated companies principally engaged in holding banking premises or other real estate; and (C) other bonds, stocks, and securities.

(2) Estimated losses not elsewhere provided for on the following bank assets, separately stated: (A) Loans and discounts; (B) bank premises; (C) other real estate; and (D) other assets.

(3) The total of loans and other advances to officers and directors of the registrant and principal holders of equity securities of the registrant.

**ARTICLE 10. NATURAL PERSONS****Rule 10-01. Financial Statements of Natural Persons.**

A natural person may file the following financial statements in place of any balance sheets and profit and loss statements otherwise required in the applicable form or instructions thereto:

(a) A statement of his assets and liabilities as of a date within 93 days and statements of his income (1) for the calendar year ended prior to such statement of assets and liabilities, and (2) for the two preceding calendar years if the applicable form requires profit and loss statements for three fiscal years. These statements shall be set forth in reasonable detail and need not be certified.

(b) Balance sheets and profit and loss or income statements of—

- (1) Every business of which he is sole proprietor;
- (2) Every partnership in which he has a controlling interest;
- (3) Every business trust, unincorporated association, or similar business organization in which he has a controlling interest; and
- (4) Every corporation in which he owns directly or indirectly securities representing more than fifty percent of the voting power.

(c) Financial statements need not be filed, however, with respect to any corporation or other business organization designated in (3) or (4) of paragraph (b) above if both of the following conditions exist:

(1) His total investment in such corporation or business organization does not exceed five percent of his total assets; and,

(2) His total income from such corporation or business organization does not exceed five percent of his gross income:

*Provided*, That his aggregate investment in all such corporations and business organizations whose statements are omitted pursuant to this paragraph (c) shall not exceed fifteen percent of his total assets, and that his aggregate income from all such corporations and business organizations shall not exceed fifteen percent of his gross income.

(d) Financial statements required by paragraph (b) above shall be for the dates and periods prescribed for the financial statements of an unconsolidated subsidiary in the applicable form. Such statements shall also conform, so far as practicable, to all other requirements as to financial statements, including requirements as to certification, as set forth in such form.

**ARTICLE 11. CONTENT OF STATEMENTS OF SURPLUS****Rule 11-01. Application of Article 11.**

The article prescribes the content of the statements of surplus specified in rules 5-02 (caption 35) and 7-03 (caption 20).

**Rule 11-02. Statement of Surplus.** (See rules 5-03 (a) and (b).)

The analysis shall be given as to each class of surplus set forth in the related balance sheet.

1. **Balance at beginning of period.**—(a) The balance at the beginning of the period of report may be as per the accounts.

(b) If the schedule is filed as part of an annual or other periodic report and the balances at the beginning of the period differ from the closing balances, as filed for the previous fiscal period, state the difference and explain.

2. **Net income or loss (or net income or loss and special items) from profit and loss statement.**

3. **Other additions to surplus.**—State separately any material amounts, indicating clearly the nature of the transactions out of which the items arose.

4. **Deductions from surplus other than dividends.**—State separately any material amounts, indicating clearly the nature of the transactions out of which the items arose.

5. **Dividends.**—For each class of shares state the amount per share and in the aggregate.

(a) **Cash.**

(b) **Other.**—Specify.

6. **Balance at close of period.**—The balance at the close of the most recent period shall agree with the related balance sheet caption.

## ARTICLE 12. FORM AND CONTENT OF SCHEDULES

### Rule 12-01. Application of Article 12.

This article prescribes the form and content of the schedules required by rules 5-04, 5A-07, 6-10, 6-13, 6-24, 7-06, 9-04.

### Rule 12-02. Marketable Securities—Other Security Investments.

Column A	Column B	Column C	Column D
Name of issuer and title of issue <sup>1</sup>	Number of shares or units—principal amount of bonds and notes	Amount at which carried in balance sheet <sup>2</sup>	Value based on current market quotations at balance sheet date

<sup>1</sup> (a) Each issue shall be stated separately, except that reasonable groupings, without enumeration, may be made with respect to (1) securities issued or guaranteed by the United States Government and (2) investments as to which the aggregate amount carried in column C is not more than two per cent of total assets.

(b) In the case of bank holding companies group separately (1) securities of banks and (2) other securities, and in column C show totals for each group. <sup>2</sup> State the basis of determining the amounts in column C. Column C shall be totaled to agree with the respective valuations sheet captions.

### Rule 12-03. Amounts Due From Directors, Officers, and Principal Holders of Equity Securities Other Than Affiliates.

Column A	Column B	Column C	Column D	Column E
Name of debtor	Balance receivable at beginning of period <sup>1</sup>	Additions	Deductions	Balance receivable at close of period
			(1) Amounts written off	(1) Current
			(2) Collections <sup>2</sup>	(2) Not current

<sup>1</sup> The balance at the beginning of the period of report may be as per the accounts.

<sup>2</sup> If collection was other than in cash, explain.

**Rule 12-04. Investments in Securities of Affiliates.**

Column A	Column B		Column C		Column D		Column E
Name of issuer and title of issue <sup>1</sup>	Balance at beginning of period <sup>2</sup>		Additions		Deductions		Balance at close of period
	(1)	(2)	(1)	(2)	(1)	(2)	(1)
	Number of shares or units. Principal amount of bonds and notes	Amount in dollars	Number of shares or units. Principal amount of bonds and notes	Amount in dollars <sup>3</sup>	Number of shares or units. Principal amount of bonds and notes	Amount in dollars	Number of shares or units. Principal amount of bonds and notes
							Amount in dollars

<sup>1</sup> (a) Group separately securities of (1) subsidiaries consolidated; (2) subsidiaries not consolidated; and (3) other affiliates, showing shares and bonds separately in each case. Within each group major investments shall be stated separately. Reasonable grouping without enumeration may be made of other investments.

(b) Those foreign investments, the enumeration of which would be detrimental to the registrant, may be grouped.

<sup>2</sup> The balance at the beginning of the period of report may be as per the accounts.

<sup>3</sup> If the cost of additions in column C represents other than cash expenditure, explain. If acquired from an affiliate (and not an original issue of that affiliate) at other than cost to the affiliate, show such cost, provided the acquisition by the affiliate was within two years prior to the acquisition by the person for which the statement is filed.

<sup>4</sup> State: (a) Cost of items sold and how determined; (b) amount received (if other than cash, explain); and (c) disposition of resulting profit or loss.

**Rule 12-05. Indebtedness of Affiliates.**

Column A  Name of affiliate <sup>1</sup>	Column B Balance receivable at beginning of period <sup>2</sup>	Column C Balance receivable at close of period
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<sup>1</sup> Affiliates shall be grouped as in the related schedules required for investments in securities of affiliates. The information called for may be shown, however, in total for each column for any two or more totally-held subsidiaries, provided the number of subsidiaries so grouped is stated.

<sup>2</sup> The balance at the beginning of the period of report may be as per the accounts.

**Rule 12-06. Property, Plant, and Equipment.<sup>1</sup>**

Column A	Column B	Column C	Column D	Column E	Column F
Classification <sup>2</sup>	Balance at beginning of period <sup>3</sup>	Additions at cost <sup>4</sup>	Retirements or sales <sup>5</sup>	Other changes—debit and/or credit—describe <sup>6</sup>	Balance at close of period

<sup>1</sup> If the financial statements are being filed as part of an annual or other periodic report, comment briefly on any significant and unusual additions, abandonments, or retirements, or any significant and unusual changes in the general character and location, of principal plants and other important units, which may have occurred within the period.

<sup>3</sup> The balance at the beginning of the period of report may be as per the accounts. If neither the total additions nor the total deductions during the period amount to more than 10 percent of the closing balance and a statement to that effect is made, the information required by columns B, C, D, and E may be omitted provided that the totals of columns C and D are given in a footnote and provided further that any information required by notes 4, 5, and 6 shall be given and may be in summary form.

<sup>4</sup> If the changes in property accounts in column C represent anything other than additions from acquisitions, state clearly the nature of the changes and the other accounts affected. If cost of property additions represents other than cash expenditures, explain. If acquired from an affiliate at other than cost to the affiliate, show such cost, provided the acquisition by the affiliate was within two years prior to the acquisition by the person for which the statement is filed.

<sup>5</sup> If changes in column D are stated at other than cost, explain if practicable.

<sup>6</sup> State clearly the nature of the changes and the other accounts affected. If provision for depreciation, depletion, and amortization of property, plant, and equipment is credited in the books directly to the asset accounts, the amounts shall be stated in column E with explanations, including the accounts to which charged.

<sup>2</sup> (a) Show by major classifications such as land, buildings, equipment, or leaseholds. If such classification is not present or practicable, this may be stated in one amount. The additions included in column C shall, however, be segregated in accordance with an appropriate classification. If property, plant, and equipment abandoned is carried at other than a nominal amount indicate, if practicable, the amount thereof and state the reasons for such treatment. Items of minor importance may be included under a miscellaneous caption.

(b) **Public utility companies.**—A public utility company shall, to the extent practicable, classify utility plant by the type of service rendered (such as electric, gas, transportation, and water) and shall state separately under each of such service classifications the major subclassifications of utility plant accounts.

(c) **Mining companies using article 5A.**—Such mining companies shall include herein only depreciable mine plant and equipment at dollar amounts required by the instructions set forth under caption 13, property, plant, and equipment of article 5A. A mining company falling into this category shall also, to the extent practicable, observe the other instructions set forth under this rule.



**Rule 12-06A. Unrecovered Cost Incurred in the Promotional, Exploratory, and Development Stage.<sup>1</sup>**

[For commercial, industrial, and mining companies specified in paragraphs (b) and (c) of rule 5A-01 when filing applications for registration on Form 10 and annual reports on Form 10-K, pursuant to the provisions of the Securities Exchange Act of 1934]

Column A	Column B	Column C	Column D	Column E
Classification <sup>1</sup>	Balance at beginning of period <sup>2</sup>	Additions at cost <sup>4</sup>	Deductions <sup>5</sup>	Balance at close of period <sup>6</sup>

<sup>1</sup> Include in this schedule only unrecovered cost incurred in promotional, exploratory, and development work paid for in cash, or to be paid for in cash, and, when appropriate, depreciation, depletion, and amortization of assets extended at dollar amounts under captions 13 and 13A of rule 5A-02.

<sup>2</sup> Show by major classifications under (1) development expenses, (2) plant and equipment maintenance expenses, (3) rehabilitation expenses, (4) general administrative expenses incurred in a period when there was little or no actual mining, and (5) other expenses. If unrecovered cost incurred in exploration and development work abandoned is carried at other than a nominal amount indicate, if practicable, the amount thereof and state the reason for such treatment. Items of minor importance may be included under a miscellaneous caption.

<sup>3</sup> The balance at the beginning of the period of report may be as per the accounts. If neither the total additions nor the total deductions during the period amount to more than 10 percent of the closing balance and a statement to that effect is made, the information required by columns B, C, and D may be omitted provided that the totals of columns C and D are given in a footnote and provided further that any information required by notes 4, 5, and 6 shall be given and may be in summary form.

<sup>4</sup> If the changes in unrecovered cost incurred in promotional, exploratory, and development work in column C represent anything other than additions from acquisitions, state clearly the nature of the changes and the other accounts affected. If acquired from an affiliate at other than cost to the affiliate, show such cost, provided the acquisition by the affiliate was within two years prior to the acquisition by the person for which the statement is filed.

<sup>5</sup> (a) Include in this column unrecovered cost incurred in development and exploratory work abandoned and written off. If such abandonments are stated at other than cash cost, explain if practicable.

(b) Include in this column proceeds from ore sales and other income if so credited on the books; state separately and describe.

(c) If provisions for amortization of unrecovered cost incurred in promotional, exploratory, and development work are credited in the books directly to such deferred expense accounts, the amounts shall be stated in column D with explanations, including the accounts to which charged.

<sup>6</sup> The balance at the close of the period for each major classification set forth in this schedule shall be subdivided and presented in three additional columns, if practicable, to show the amount of unrecovered cost incurred in promotional, exploratory, and development work accumulated and added during (a) the five years prior to the date of the related statement of assets and unrecovered promotional, exploratory, and development costs, (b) the period of the sixth to fifteenth year inclusive prior to the date of the related statement of assets and unrecovered promotional, exploratory, and development costs, and (c) the period from the inception of the registrant and its predecessors to the fifteenth year prior to the date of the related statement of assets and unrecovered promotional, exploratory, and development costs. If it is impracticable to subdivide the total of each major classification set forth in column E, the grand total of such column shall nevertheless be subdivided in the manner indicated in the immediately preceding sentence in which case the information may be furnished in a footnote to this schedule.

**Rule 12-07. Reserves for Depreciation, Depletion, and Amortization of Property, Plant, and Equipment.<sup>1</sup>**

Column A	Column B	Column C		Column D		Column E
Description <sup>2</sup>	Balance at beginning of period <sup>3</sup>	Additions		Deductions from reserves		Balance at close of period
		(1) Charged to profit and loss or income	(2) Charged to other accounts—describe	(1) Retirements, renewals, and replacements	(2) Other—describe	

<sup>1</sup> (a) If other reserves are created in lieu of depreciation reserves, the same information shall be given with respect to them.

(b) Insofar as amounts for depreciation, depletion, and amortization are credited to the property accounts, such amounts shall be shown in the schedule of property, plant, and equipment, as there required.

(c) Mining companies using article 5A.—Such mining companies shall include herein only the amount of the reserve for depreciation, depletion, and amortization of mine property, plant, and equipment, and unrecovered promotional, exploratory, and development costs applicable to the amounts

set forth in the schedule filed pursuant to rule 12-06 and rule 12-06A. A mining company falling into this category shall also, to the extent practicable, observe the other instructions set forth under this rule.

<sup>2</sup> If practicable, reserves shall be shown to correspond with the classifications of property set forth in the related schedule of property, plant, and equipment, separating especially depreciation, depletion, amortization, and provision for retirement.

<sup>3</sup> The balance at the beginning of the period of report may be as per the accounts.

**Rule 12-08. Intangible Assets.<sup>1</sup>**

Column A	Column B	Column C	Column D		Column E	Column F
Description <sup>2</sup>	Balance at beginning of period <sup>3</sup>	Additions at cost—describe <sup>4</sup>	Deductions <sup>5</sup>		Other changes—debit and/or credit—describe	Balance at close of period
			(1)	(2)		
			Charged to profit and loss or income	Charged to other accounts—describe		

<sup>1</sup> If in the accounts it is not practicable to separate intangible assets from property, plant, and equipment, the information here required may be included in the schedule for property, plant, and equipment. In such event state in the balance sheet any known amount of intangibles so included with an indication that a further unknown amount of intangibles is also so included.

<sup>2</sup> Show by major classifications, such as patents, or goodwill. If such classification is not present or practicable, this may be stated in one amount. The additions included in column C shall, however, be segregated in accordance with an appropriate classification. Items of minor importance may be included under a miscellaneous caption.

<sup>3</sup> The balance at the beginning of the period of report may be as per the accounts. If neither the total additions nor the total reductions during the period amount to more than 10 percent of the closing balance and a state-

ment to that effect is made, columns B, C, D, and E may be omitted by any company other than a public utility company. Any information required by note 4 or 5 shall, however, be given and may be in summarized form.

<sup>4</sup> If the changes in accounts in column C represent anything other than additions from acquisitions, state clearly the nature of the changes and the other accounts affected. If cost of additions represents other than cash expenditures, explain. If acquired from an affiliate at other than cost to the affiliate, show such cost, provided the acquisition by the affiliate was within two years prior to the acquisition by the person for which the statement is filed.

<sup>6</sup> If provision for depreciation and amortization of intangible assets is credited in the books directly to the intangible asset accounts, the amounts shall be stated in column D with explanations, including the accounts to which charged.

**Rule 12-09. Reserves for Depreciation and Amortization of Intangible Assets.<sup>1</sup>**

Column A	Column B	Column C		Column D	Column E
Description <sup>2</sup>	Balance at beginning of period <sup>3</sup>	Additions		Deductions from reserves—describe	Balance at close of period
		(1) Charged to profit and loss or income	(2) Charged to other accounts—describe		

<sup>1</sup> Insofar as amounts for depreciation and amortization are credited to the intangible asset accounts, such amounts shall be shown in the schedule of intangible assets, as there required.

<sup>2</sup> If practicable, reserves shall be shown to correspond with the classification in the related schedule of intangible assets.

<sup>3</sup> The balance at the beginning of the period of report may be as per the accounts.

**Rule 12-10. Bonds, Mortgages, and Similar Debt.<sup>1</sup>**

Column A	Column B	Column C	Column D		Column E	Column F	Column G	Column H	
Name of issuer and title of each issue <sup>2</sup>	Amount authorized by indenture	Amount issued and not retired or cancelled <sup>3</sup>	Amount included in column C, which is		Amount included in sum under caption "bonds, mortgages and similar debt" in related balance sheet <sup>4</sup>	Amount in sinking and other special funds of issuer thereof <sup>5</sup>	Amount pledged by issuer thereof <sup>6</sup>	Amount held by affiliates for which statements are filed herewith <sup>7</sup>	
			(1) Held by or for account of issuer thereof	(2) Not held by or for account of issuer thereof				(1) Persons included in consolidated statement <sup>7</sup>	(2) Others

<sup>1</sup> Indicate in a note to the most recent schedule filed for a particular person or group any significant changes since the date of the related balance sheet. This information need not be given, however, if the schedule is filed as part of an annual or other periodic report.

<sup>2</sup> Include in this column each issue authorized, whether issued or not and whether eliminated in consolidation or not. For each issue listed give the information called for by columns B to H, inclusive.

<sup>3</sup> Indicate by means of an appropriate symbol any issues of which additional amounts may be issued.

<sup>4</sup> This column is to be totaled to correspond to the related balance sheet caption.

<sup>5</sup> Indicate by means of an appropriate symbol any amounts not included in subcolumn D (1).

<sup>6</sup> Affiliates for which statements are filed herewith shall include affiliates for which separate financial statements are filed and those included in consolidated or combined statements, other than the issuer of the particular security.

<sup>7</sup> Include in this subcolumn only amounts held by persons included in the consolidated statement in support of which this schedule is being filed. If not eliminated in the consolidation, explain in a note.

**Rule 12-11. Indebtedness to Affiliates—Not Current.**

Column A	Column B	Column C
Name of affiliate <sup>1</sup>	Balance payable at beginning of period <sup>2</sup>	Balance payable at close of period

<sup>1</sup> Affiliates shall be grouped as in the related schedules required for investments in securities of affiliates. The information called for may be shown, however, in total for each column for any two or more totally-held subsidiaries, provided the number of subsidiaries so grouped is stated.

<sup>2</sup> The balance at the beginning of the period of report may be as per the accounts.

**Rule 12-12. Guarantees of Securities of Other Issuers.<sup>1</sup>**

Column A	Column B	Column C	Column D	Column E	Column F	Column G
Name of issuer of securities guaranteed by person for which statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding <sup>2</sup>	Amount owned by person or persons for which statement is filed	Amount in treasury of issuer of securities guaranteed	Nature of guarantee <sup>3</sup>	Nature of any default by issuer of securities guaranteed in principal, interest, sinking fund or redemption provisions, or payment of dividends <sup>4</sup>

<sup>1</sup> Indicate in a note to the most recent balance sheet filed for a particular person or group any significant changes since the date of the related balance sheet. This information need not be given, however, if the schedule is filed as part of an annual or other periodic report. If this schedule is filed in support of consolidated statements or group statements, there shall be set forth guarantees by any person included in the consolidation or group.

<sup>2</sup> Indicate any amounts included in column C which are included also in column D or E.

<sup>3</sup> There need be made only a brief statement of the nature of the guarantee, such as "Guarantee of principal and interest," "Guarantee of interest," or "Guarantee of dividends." If the guarantee is of interest or dividends, state the annual aggregate amount of interest or dividends so guaranteed.

<sup>4</sup> Only a brief statement as to any such defaults need be made.

**Rule 12-13. Reserves.**

Column A	Column B	Column C		Column D	Column E
Description <sup>1</sup>	Balance at beginning of period <sup>2</sup>	Additions		Deductions from reserves—describe	Balance at close of period
		(1) Charged to profit and loss or income	(2) Charged to other accounts—describe		

<sup>1</sup> List, by major classes, all reserves not included in specific schedules. Identify each class of reserves by descriptive title. Group (a) those reserves which are deducted in the balance sheet from the assets to which they apply and (b) those reserves which support the balance sheet caption *Reserves, not shown elsewhere*. Special contingency reserves may be grouped in one total. Reserves as to which the additions, deductions, and balances were not significant may be grouped in one total and in such case the information called for under columns C and D need not be given.

<sup>2</sup> *Except in the case of a bank holding or investment company*, the balance at the beginning of the period of report may be as per the accounts.

**Rule 12-14. Capital Shares.<sup>1</sup>**

Column A	Column B	Column C	Column D		Column E	Column F	Column G	Column H
Name of issuer and title of issue <sup>2</sup>	Number of shares authorized by charter	Number of shares issued and not retired or cancelled	Number of shares included in column C which are		Shares outstanding as shown on or included in related balance sheet under caption "capital shares"	Number of shares held by affiliates for which statements are filed herewith <sup>4</sup>	Number of shares reserved for officers and employees	Number of shares reserved for warrants, conversions, and other rights
			(1) Held by or for account of issuer thereof	(2) Not held by or for account of issuer thereof				
			(1) Number	(2) Amount at which carried <sup>3</sup>		Persons included in consolidated statements <sup>5</sup>	Others	

<sup>1</sup> Indicate in a note to the most recent schedule filed for a particular person or group any significant changes since the date of the related balance sheet. This information need not be given, however, if the schedule is filed as part of an annual or other periodic report.

<sup>2</sup> Include in this column each issue authorized, whether issued or not, and whether eliminated in consolidation or not. *Provided*, That when this schedule is filed in support of a consolidated statement, the information required by columns A to H, inclusive, need not be given as to any consolidated subsidiary if all of the outstanding shares of each issue of capital shares (other than directors' qualifying shares) of such subsidiary are held by one or more of the persons included in such consolidated statement; if the answer to columns G and H would be none; and if a footnote indi-

cating such omission is given. For each issue listed give the information called for by columns B to H, inclusive.

<sup>3</sup> This column is to be totaled to correspond to the related balance sheet caption. In the case of consolidated subsidiaries only the minority interest need be set forth.

<sup>4</sup> Affiliates for which statements are filed herewith shall include affiliates for which separate financial statements are filed and those included in consolidated or combined statements, other than the issuer of the particular security.

<sup>5</sup> Include in this subcolumn only amounts held by persons included in the consolidated statement in support of which this schedule is being filed. If not eliminated in the consolidation, explain in a footnote.

**Rule 12-15. Warrants or Rights.<sup>1</sup>**

Column A	Column B	Column C	Column D	Column E	Column F	Column G
Title of issue of securities called for by warrants or rights	Amount of securities called for by each warrant or right	Number of warrants or rights outstanding <sup>2</sup>	Aggregate amount of securities called for by warrants or rights outstanding	Date from which warrants or rights are exercisable	Expiration date of warrants or rights	Price at which warrant or right exercisable

<sup>1</sup> Indicate in a note to the most recent schedule filed for a particular person or group any significant changes since the date of the related balance sheet. This information need not be given, however, if the schedule is filed as part of an annual or other periodic report.

<sup>2</sup> State separately amounts held by persons for which separate statements are filed or which are included in consolidated or combined statements, other than the issuer of the particular security.

**Rule 12-16. Supplementary Profit and Loss Information.<sup>1</sup>**

Column A	Column B: <sup>2</sup>		Column C: <sup>2</sup>		Column D
Item	Charged directly to profit and loss		Charged to other accounts		Total
	(1) To cost of goods sold (rule 5-03-2A) or operating expenses (rule 5-03-2B) <sup>3</sup>	(2) Other	(1) Account	(2) Amount	
1. Maintenance and repairs.....					
2. Depreciation, depletion, and amortization of fixed and intangible assets (or charges in lieu thereof).....					
3. Taxes, other than income and excess profits taxes <sup>4</sup> .....					
4. Management and service contract fees.....					
5. Rents and royalties <sup>5</sup> .....					

<sup>1</sup> State for each of the items noted in column A the total called for in column D and, if practicable, set forth the details called for in columns B and C.

<sup>2</sup> Do not include in this column amounts deducted in the profit and loss statement under the caption *Other operating expenses* (rule 5-03-3).

<sup>3</sup> State separately each material item.

<sup>4</sup> If the aggregate amount of rents and royalties is not material, a statement to that effect will suffice. State rents and royalties separately if either amount is material.

<sup>5</sup> Totals may be stated in the respective columns under column B without further designation of the accounts to which charged. If practicable, designate in column C the accounts to which charged.

**Rule 12-17. Income From Dividends—Equity in Net Profit and Loss of Affiliates.**

Column A	Column B			Column C
Name of issuer and title of issue <sup>1</sup>	Amount of dividends <sup>2</sup>			Amount of equity in net profit and loss for the period <sup>2 4</sup>
	(1)	(2)	(3)	
	Cash	Other <sup>3</sup>	Total of related cap- tions of profit and loss or income statement	

<sup>1</sup> The shares of affiliates shall be listed as in the related schedules required for investments in securities of affiliates. Dividends from (1) marketable securities and (2) other security investments shall also be included, and may be shown in separate aggregate amounts: *Provided, however*, That securities held in issuers as to which securities representing exactly fifty percent of the voting power are held directly or indirectly by the person for which the statement is filed and those representing the other fifty percent are held by another single interest, shall be separately stated and are, within the group, to be listed separately as to each major investment, the balance to be stated in a single aggregate.

<sup>2</sup> The information called for in columns B and C may be shown in total for each column for any two or more totally-held subsidiaries included in a consolidated statement.

<sup>3</sup> State as to any dividends other than cash, the basis on which they have been taken up as income, and the justification, if any, for such action. If

any such dividends received from affiliates have been credited to income in an amount differing from that charged to income or earned surplus by the disbursing company, state the amount of such difference and explain.

<sup>4</sup> (a) The information required by column C need be furnished only (1) as to affiliates and (2) as to issuers securities of which representing exactly fifty percent of the voting power are held directly or indirectly by the person for which the statement is filed and those representing the other fifty percent are held by another single interest. If the answer required in column B is in the negative as to any particular person, the information called for in column C shall nevertheless be furnished.

(b) The equity in the net profit and loss of each person required to be listed separately shall be computed on an individual basis. In addition, there may be submitted the information required as computed on the basis of the statements of each such person and its subsidiaries consolidated.

**Rule 12-19. Investments in Securities of Unaffiliated Issuers.**

(For Management Investment Companies Only)

Column A	Column B	Column C	Column D
Name of issuer and title of issue <sup>1</sup>	Balance held at close of period. Number of shares—principal amount of bonds and notes <sup>2</sup>	Cost of each item <sup>3 4</sup>	Value of each item at close of period <sup>5</sup>

<sup>1</sup> (a) The required information is to be given as to all securities held as of the close of the period of report. Each issue shall be listed separately: *Provided, however*, That an amount not exceeding 5 percent of the total of column D may be listed in one amount as "Miscellaneous securities," provided the securities so listed have been held for not more than 1 year prior to the date of the related balance sheet, and have not previously been reported by name to the shareholders of the person for which the statement is filed or to any exchange, or set forth in any registration statement, application, or annual report or otherwise made available to the public.

(b) Indicate by an appropriate symbol those securities which are non-income-producing securities. Evidences of indebtedness and preferred shares may be deemed to be income-producing if, on the respective last interest payment date or date for the declaration of dividends prior to the date of the related balance sheet, there was only a partial payment of interest or a declaration of only a partial amount of the dividends payable; in such case, however, each such issue shall be indicated by an appropriate symbol referring to a note to the effect that, on the last interest or dividend date, only partial interest was paid or partial dividends declared. If, on such respective last interest or dividend date, no interest was paid or no dividends declared, the issue shall not be deemed to be income-producing. Common shares shall not be deemed to be income-producing unless, during

the last year preceding the date of the related balance sheet, there was at least one dividend paid upon such common shares. List separately (1) bonds; (2) preferred shares; (3) common shares. Within each of these subdivisions classify according to type of business, insofar as practicable; e. g., investment companies, railroads, utilities, banks, insurance companies, or industrials. Give totals for each group, subdivision, and class.

<sup>2</sup> Indicate any securities subject to option at the end of the most recent period and state in a note the amount subject to option, the option prices, and the dates within which such options may be exercised.

<sup>3</sup> Columns C and D shall be totaled. The totals of columns C and D should agree with the correlative amounts required to be shown by the related balance sheet captions. As to what is "cost" where there has been a reorganization or quasi-reorganization, see rule 6-02-7 (a). State in a footnote to column C the aggregate cost for Federal income tax purposes.

<sup>4</sup> *Closed-end companies reflecting investments at cost, showing value parenthetically.*—If any investments have been written down or reserved against by such companies pursuant to rule 6-02-6 (b), indicate each such item by means of an appropriate symbol and explain in a footnote.

<sup>5</sup> Where value is determined on any other basis than closing prices reported on any national securities exchange, explain such other bases in a footnote.



**Rule 12-21. Investments—Other Than Securities.**

(For Management Investment Companies Only)

Column A	Column B	Column C	Column D	Column E	Column F	Column G
Description <sup>1</sup>	Balance held at beginning of period—quantity <sup>2</sup>	Gross purchases and additions during period—quantity <sup>2</sup>	Gross sales and reductions during period—quantity <sup>2</sup>	Balance held at close of period—quantity <sup>2, 3</sup>	Cost of items included in column E <sup>4, 5</sup>	Value of each item at close of period <sup>4, 6</sup>

<sup>1</sup> The required information is to be given as to all investments which were held at any time within the period. List each major class of investments by descriptive title.

<sup>2</sup> If practicable, indicate the quantity or measure in appropriate units. Indicate any investments subject to option at the end of the most recent period and state in a note the amount subject to option, the option prices, and the dates within which such options may be exercised.

<sup>3</sup> Columns F and G shall be totaled and should agree with the amounts required to be shown by the related balance sheet caption. As to what is

“cost” where there has been a reorganization or quasi-reorganization, see rule 6-02-7 (a). State in a footnote the aggregate cost for Federal income tax purposes.

<sup>4</sup> *Closed-end companies reflecting investments at cost showing value parenthetically.*—If any investments have been written down or reserved against by such companies pursuant to rule 6-02-6 (b), indicate each such item by means of an appropriate symbol and explain in a footnote.

<sup>5</sup> State the basis of determining the amount shown in column G.

**Rule 12-22. Investments in Affiliates.**

(For Management Investment Companies Only)

Column A	Column B	Column C	Column D	Column E	Column F
Name of issuer and title of issue or amount of indebtedness <sup>1</sup>	Balance held at close of period. Number of shares — principal amount of bonds, notes and other indebtedness <sup>2</sup>	Cost of each item <sup>3,4</sup>	Value of each item at close of period <sup>4,5</sup>	Amount of dividends or interest <sup>4,6</sup>	
				(1)	(2)
				Credited to income	Other
					Amount of equity in net profit and loss for the period <sup>7</sup>

<sup>1</sup> (a) The required information is to be given as to all investments in affiliates as of the close of the period. List each issue and group separately (1) investments in majority-owned subsidiaries, segregating subsidiaries consolidated; (2) other controlled companies; and (3) other affiliates. Give totals for each group. If operations of any controlled companies are different in character from those of the registrant, group such affiliates within divisions (1) and (2) by type of activities.

(b) *Changes during the period.*—If during the period there has been any increase or decrease in the amount of investment in any affiliate, state in a footnote (or if there have been changes as to numerous affiliates, in a supplementary schedule) (1) name of each issuer and title of issue; (2) balance at beginning of period; (3) gross purchases and additions; (4) gross sales and reductions; (5) balance at close of period as shown in column B. Include in such footnote or schedule comparable information as to affiliates in which there was an investment at any time during the period even though there was no investment in such affiliate as of the close of such period.

<sup>2</sup> Indicate any securities subject to option at the end of the most recent period and state in a note the amount subject to option, the option prices, and the dates within which such options may be exercised.

<sup>3</sup> If the cost in column C represents other than cash expenditure, explain.

<sup>4</sup> (a) Columns C, D, and E shall be totaled. The totals of columns C and D should agree with correlative amounts required to be shown by the related balance sheet captions. As to what is "cost" where there has been

a quasi-reorganization, see rule 6-02-7 (a). State in a footnote the aggregate cost for Federal income tax purposes.

(b) *Closed-end companies reflecting investments at cost showing value parenthetically.*—If any investments have been written down or reserved against by such companies pursuant to rule 6-02-6 (b), indicate each such item by means of an appropriate symbol and explain in a footnote.

<sup>5</sup> State the basis of determining the amounts shown in column D.

<sup>6</sup> Show in column E (1) as to each issue held at close of period, the dividends or interest included in caption 1 of the statement of income and expense. In addition, show as the final item in column E (1) the aggregate dividends and interest included in the statement of income and expense in respect of investments in affiliates not held at the close of the period. The total of this column should agree with the amounts shown under such caption. Include in column E (2) all other dividends and interest. Explain briefly in an appropriate footnote the treatment accorded each item. Identify by an appropriate symbol all noncash dividends and explain the circumstances in a footnote. See rules 6-03-2 and 6-04-1.

<sup>7</sup> The information required by column F need be furnished only as to controlled companies. The equity in the net profit and loss of each person required to be listed separately shall be computed on an individual basis. In addition, there may be submitted the information required as computed on the basis of the statements of each such person and its subsidiaries consolidated.

**Rule 12-23. Bonds.**<sup>1</sup>

(For Insurance Companies)

Column A	Column B	Column C	Column D	Column E	Column F	Column G
Name of issuer and title of issue <sup>2</sup>	Principal amount of bonds and notes	Actual cost (excluding accrued interest)	Book value <sup>3</sup>	Market value <sup>4</sup>	Amortized or investment value <sup>5</sup>	Admitted asset value <sup>6</sup>

<sup>1</sup> (a) In lieu of this schedule there may be filed schedule D, part 1, of the annual statement filed with the respective domiciliary State regulatory authority. In such case the method of determining market value shown in column 7 of that schedule shall be stated in a note.  
 (b) All money columns shall be totaled.

<sup>2</sup> (a) Bonds shall be grouped in accordance with the classification required under rule 12-27 and listed alphabetically in each group.

(b) Indicate by appropriate symbol those bonds which are non-income producing or in default as to principal or interest.  
<sup>3</sup> State the basis of determining the amount.

<sup>4</sup> State the method of determining market value.

<sup>5</sup> Indicate by a symbol whether amortized or estimated value. State the basis of determining estimated value.

<sup>6</sup> If admitted asset value is different from the amount shown in either column C, D, E, or F, state the basis of determining such value.

**Rule 12-24. Stocks—Other than Stocks of Affiliates.**<sup>1</sup>

(For Insurance Companies)

Column A	Column B	Column C	Column D	Column E	Column F
Name of issuer and title of issue <sup>2</sup>	Number of shares	Actual cost	Book value <sup>3</sup>	Market or estimated value <sup>4</sup>	Admitted asset value <sup>5</sup>

<sup>1</sup> (a) In lieu of this schedule there may be filed schedule D, part 2, of the annual statement filed with the respective domiciliary State regulatory authority: *Provided*, (1) That from the totals of the proper columns there be deducted the amounts represented by the investment in stocks of affiliates called for in the schedule prescribed by rule 12-28; and (2) the method of determining market value shown in column 6 of schedule E, part 2, be stated.  
 (b) All money columns shall be totaled.

<sup>2</sup> (a) Stocks shall be grouped in accordance with the classification required under rule 12-27 and listed alphabetically in each group.

(b) Indicate by appropriate symbol those stocks which are non-income producing.

<sup>3</sup> State the basis of determining the amount.

<sup>4</sup> Indicate by a symbol whether market or estimated value. State the basis of determining such value.

<sup>5</sup> If admitted asset value is different from the amount shown in either column C, D, or E, state the basis of determining such value.

**Rule 12-25. Mortgage Loans on Real Estate.<sup>1</sup>**

(For Insurance Companies)

Column A	Column B	Column C	Column D	Column E
Summarize by State and classification indicated below <sup>2</sup>	Amount of principal indebtedness	Book value of mortgages	Admitted asset value <sup>3</sup>	Appraised value of land and buildings
NAME OF STATE				
Farm mortgages—insured.....	(total)-----			
Farm mortgages—other.....	(total)-----			
City mortgages—insured.....	(total)-----			
City mortgages—other.....	(total)-----			
Total.....				
Total, all States.....				

<sup>1</sup> All money columns shall be totaled.<sup>2</sup> (a) Mortgage loans shall be grouped by States and in accordance with the classifications indicated in Column A above.

(b) Mortgage loans other than first liens shall be listed separately in a like manner.

(c) State in a note the amount of mortgage loans in each State and classification (1) upon which interest is overdue more than three months; and (2) which are in the process of foreclosure.

<sup>3</sup> If admitted asset value is different from the amount shown in either column B or C, state the basis of determining such value.**Rule 12-26. Real Estate Owned.<sup>1</sup>**

(For Insurance Companies)

Column A	Column B	Column C	Column D	Column E	Column F
Summarize by State and classification of property as indicated below	Amount of encumbrances	Actual cost	Book value less encumbrances	Market or fair value less encumbrances <sup>2</sup>	Admitted asset value <sup>3</sup>
NAME OF STATE					
Farms.....	(total)-----				
Residential.....	(total)-----				
Apartments and business.....	(total)-----				
Unimproved.....	(total)-----				
Total.....					
Total, all States.....					

<sup>1</sup> All money columns shall be totaled.<sup>2</sup> State the basis of determining such value.<sup>3</sup> If admitted asset value is different from the amount shown in either column C, D, or E, state the basis of determining such value.

**Rule 12-27. Summary of Investments in Securities—Other than Securities of Affiliates.<sup>1</sup>**  
(For Insurance Companies)

Column A	Column B	Column C	Column D	Column E	Column F
Type of security	Actual cost	Book value	Market value	Amortized or investment value of bonds and notes	Admitted asset value
<b>1. BONDS AND NOTES</b>					
(a) Government.....					
(b) States, Territories and possessions.....					
(c) Political subdivisions of States, Territories and possessions.....					
(d) Government agencies and authorities.....					
(e) Railroads.....					
(f) Public utilities.....					
(g) Industrial and miscellaneous.....					
Total bonds and notes.....					
<b>2. STOCKS</b>					
Preferred stocks:					
(h) Railroad.....				XXXX	
(i) Public utilities.....				XXXX	
(j) Banks, trust and insurance companies.....				XXXX	
(k) Industrial and miscellaneous.....				XXXX	
Total preferred stocks.....				XXXX	
Common stocks:					
(l) Railroad.....				XXXX	
(m) Public utilities.....				XXXX	
(n) Banks, trust and insurance companies.....				XXXX	
(o) Industrial and miscellaneous.....				XXXX	
Total common stocks.....				XXXX	
Total stocks.....				XXXX	
Total investments in securities other than securities of affiliates.....				XXXX	

<sup>1</sup> All money columns shall be totaled.

# **Rule 12-28. Investments in Stocks of Affiliates.<sup>1</sup>**

(For Insurance Companies)

Column A	Column B	Column C	Column D	Column E	Column F
Name of issuer and title of issue <sup>2</sup>	Number of shares	Actual cost	Book value <sup>3</sup>	Market or estimated value <sup>4</sup>	Admitted asset value <sup>5</sup>

<sup>1</sup> All money columns shall be totaled.

<sup>2</sup> Group separately (a) stocks of insurance companies and (b) stocks of other affiliates. Within group (b) classify according to type of business. Give totals for each group and class.

<sup>3</sup> State the basis of determining the amount.

<sup>4</sup> Indicate by a symbol whether market or estimated value. State the basis of determining such value.

<sup>5</sup> If admitted asset value is different from the amount shown in either column C, D, or E, state the basis of determining such value.

# **Rule 12-29. Premiums, Losses, and Underwriting Expense.<sup>1</sup>**

(For Insurance Companies Other Than Life and Title Insurance Companies)

PART 1—PREMIUMS					PART 2—LOSSES AND UNDERWRITING EXPENSES <sup>2</sup>				
Column A	Column B	Column C	Column D	Column E	Column F	Column G	Column H	Column I	
Line of insurance	Unearned premiums beginning of period	Net premiums written	Unearned premiums end of period	Premiums earned during period	Losses incurred during period	Loss expense incurred during period	Commissions and brokerage incurred during period	Other underwriting expense incurred during period <sup>3</sup>	

<sup>1</sup> All money columns shall be totaled.

<sup>2</sup> Fire insurance companies may furnish information under columns G, H, and I by totals only, if the information required by such columns is not available by lines of insurance.

<sup>3</sup> Include in this column all amounts set forth in the related profit and loss statement under captions 8, 9, and 10.

**Rule 12-30. Summary of Realized Gains or Losses on Sale or Maturity of Investments.<sup>1</sup>**

(For Insurance Companies)

Column A	Column B	Column C	Column D
Type of security	Aggregate cost	Aggregate proceeds	Gain or loss
Bonds-----			
Stocks—other than stocks of affiliates-----			
Stocks—affiliates-----			
Mortgage loans-----			
Real estate-----			
Other-----			
Total-----			
Income taxes allocable to realized gains-----	XXXX	XXXX	
Net realized gains or losses-----	XXXX	XXXX	

<sup>1</sup> All money columns shall be totaled.

**Rule 12-32. Investments in Securities of Affiliates—Banks.<sup>1</sup>**

(For Bank Holding Companies Only)

Column A	Column B		Column C				Column D	Column E	Column F	Column G
Name of issuer and title of issue <sup>2</sup>	Shares owned by the person for which statement is filed		Total capital, surplus, and undivided profits of affiliated banks <sup>3</sup>				Amount of net tangible asset value applicable to shares owned by others	Amount of net tangible asset value applicable to shares owned by person for which statement is filed	Amount at which carried in balance sheet of person for which statement is filed <sup>5</sup>	Net additions to profits of each affiliate for period <sup>3 6</sup>
	(1)	(2)	(1)	(2)	(3)	(4)				
	Number	Percent of total outstanding	Preferred shares, capital notes, or debentures	Common shares	Surplus and undivided profits	Total common shares, surplus, and undivided profits				
							(5) Adjustments, if any, necessary to arrive at net tangible asset value <sup>4</sup>	(6) Net tangible asset value		

<sup>1</sup> Subcolumns C (1), (2), (3), (4), (5), and (6) and columns D, E, F, and G shall be totaled.

<sup>2</sup> Each issue shall be separately listed. Group according to combined statements, if any; otherwise group by States. Within each group segregate national banks from State banks. Designate by an appropriate method those banks which are (a) not members of the Federal Reserve System, and (b) not insured with the Federal Deposit Insurance Corporation. If preferred shares, state par value and if the redemption or retirable value is other than par value, state such other value.

<sup>3</sup> The information called for in subcolumns C (1), (2), (3), and (4) and column G shall be as shown by the "Reports of Condition" and the "Re-

ports of Earnings and Dividends" submitted by the affiliate to a Federal authority, or if it does not report to a Federal authority, to its respective State authority.

<sup>4</sup> Describe briefly the nature of the adjustments. Deduct here any excess of redemption or retirable value over par value of preferred shares or principal amount of capital notes and debentures.

<sup>5</sup> If the amount shown in column F differs from the amount shown in column E, state the basis of determining the amount in column F.

<sup>6</sup> The information required by column G shall be shown separately for each period for which a profit and loss statement is filed.



**Rule 12-33. Investments in Securities.<sup>1</sup>**

(For all Unit Investment Trusts, and for those Unincorporated Management Investment Companies which are Issuers of Periodic Payment Plan Certificates.)

PART 1					PART 2					
Column A	Column B	Column C	Column D	Column E	Column F	Column G	Column H	Column I	Column J	Column K
Name of issuer and title of issue <sup>2</sup>	Balance held at beginning of period. Number of shares—principal amount of bonds and notes	Gross purchases and additions as to each issue during period. Number of shares—principal amount of bonds and notes <sup>3</sup>	Gross sales and reductions as to each issue during period. Number of shares—principal amount of bonds and notes	Balance held at close of period. Number of shares—principal amount of bonds and notes	Cost of items included in column E <sup>4</sup>	Amount at which each issue was carried at close of period <sup>5</sup>	Market value of each issue at close of period <sup>5</sup>	Distribution received on trust shares	Dividends on other shares <sup>7</sup>	Interest

<sup>1</sup> The required information is to be given as to each issue of securities held at any time during the period.

<sup>2</sup> Group separately (a) shares of investment companies; and (b) other securities. As to securities set forth in group (a) list separately (1) trust shares in trusts created or serviced by the depositor or sponsor of this trust; (2) trust shares in other trusts; and (3) securities of other investment companies. As to securities set forth in group (b) list (1) evidences of indebtedness; (2) preferred shares; (3) common shares; and (4) other securities. Within each of these subdivisions classify according to type of business, insofar as possible, e. g., railroads, utilities, banks, insurance companies, industrials. Give totals of each group, subdivision, and class.

<sup>3</sup> Describe briefly the nature of any additions otherwise than through cash purchases.

<sup>4</sup> State the basis upon which cost has been determined. State in a foot-

note to this column the aggregate cost for purposes of the Federal income tax.

<sup>5</sup> Columns F, G, and H shall be totaled. The total of column G at the close of the most recent period shall agree with the related caption in the statement of condition. If the amount shown in column G differs from the amount shown in either column F or H, state the basis of determining the amount in column G. If the amounts to be shown in column G are identical with the amounts to be shown in columns F or H, a statement to that effect will suffice.

<sup>6</sup> If market value is determined on any basis other than closing prices reported on any national securities exchange, explain such other basis in a note.

<sup>7</sup> Identify all dividends other than cash taken up in income, and state the basis on which so taken up.

**Rule 12-34. Trust Shares.**

(For all Unit Investment Trusts, and for those Unincorporated Management Investment Companies which are Issuers of Periodic Payment Plan Certificates)

1. Amount at which ----- trust shares were carried at beginning of period. <sup>1 2</sup>	\$ -----
2. Additions during period resulting from:	
(a) Creation of ----- trust share <sup>1</sup>	\$ -----
(b) Allocations of trust income for reinvestment	-----
(c) Other additions <sup>3</sup>	-----
3. Total additions -----	-----
4. Deductions during period resulting from:	
(a) Surrender and cancellation of ----- trust shares <sup>1</sup>	-----
(b) Other distributions (or transfers to distributable funds) of amounts credited to trust shares	-----
(c) Other deductions <sup>4</sup>	-----
5. Total deductions -----	-----
6. Amount at which ----- trust shares were carried at end of period. <sup>1 4</sup>	\$ -----

<sup>1</sup> Insert the applicable number of trust shares.

<sup>2</sup> State the basis of determining the amount.

<sup>3</sup> State separately all significant items. If market appreciation of underlying trust property is included, the amount thereof shall be shown separately. Income required to be set forth in the statement of income and distributable funds shall not be set forth here.

<sup>4</sup> State separately all significant items. If market depreciation of underlying trust property is included, the amount thereof shall be shown separately. Expenses required to be set forth in the statement of income and distributable funds shall not be set forth here.

<sup>5</sup> The balance at the close of the most recent period shall agree with caption 8 of the related statement of condition.

**Rule 12-35. Investments in Securities of Unaffiliated Issuers.**

(For Face-Amount Certificate Investment Companies)

Column A	Column B	Column C	Column D
Name of issuer and title of issue <sup>1</sup>	Balance held at close of period. Number of shares—principal amount of bonds and notes <sup>2</sup>	Cost of each item <sup>3 4</sup>	Value of each item at close of period <sup>3 5</sup>

<sup>1</sup> (a) The required information is to be given as to all securities held as of the close of the period of report. Each issue shall be listed separately. (b) Indicate by an appropriate symbol those securities which are non-income-producing securities. Evidences of indebtedness and preferred shares may be deemed to be income-producing if, on the respective last interest payment date or dates for the declaration of dividends prior to the date of the related balance sheet, there was only a partial payment of interest or a declaration of only a partial amount of the dividends payable; in such case, however, each such issue shall be indicated by an appropriate symbol referring to a note to the effect that, on the last interest or dividend date, only partial interest was paid or partial dividends declared. If, on such respective last interest or dividend date, no interest was paid or no dividends declared, the issue shall not be deemed to be income-producing. Common shares shall not be deemed to be income-producing unless, during the last year preceding the date of the related balance sheet, there was at least one dividend paid upon such common shares. List separately (1)

bonds; (2) preferred shares; (3) common shares. Within each of these subdivisions classify according to type of business, insofar as practicable: e. g., investment companies, railroads, utilities, banks, insurance companies, or industrials. Give totals for each group, subdivision, and class. <sup>2</sup> Indicate any securities subject to option at the end of the most recent period and state in a note the amount subject to option, the option prices, and the dates within which such options may be exercised. <sup>3</sup> Columns C and D shall be totaled. The totals of columns C and D should agree with the correlative amounts required to be shown by the related balance sheet captions. State in a footnote to column C the aggregate cost for Federal income tax purposes. <sup>4</sup> If any investments have been written down or reserved against by such companies pursuant to rule 6-21-6, indicate each such item by means of an appropriate symbol and explain in a footnote. <sup>5</sup> Where value is determined on any other basis than closing prices reported on any national securities exchange, explain such other bases in a footnote.

**Rule 12-36. Investments in and Advances to Affiliates and Income Thereon.**

(For Face-Amount Certificate Investment Companies)

Column A	Column B	Column C	Column D	Column E	Column F
Name of issuer and title of issue or amount of indebtedness <sup>1</sup>	Balance held at close of period. Number of shares, principal amount of bonds, notes and other indebtedness <sup>2</sup>	Cost of each item <sup>3</sup>	Amount at which carried at close of period <sup>4</sup>	Amount of dividends or interest <sup>5</sup>	
				(1) Credited to income	(2) Other

<sup>1</sup> (a) The required information is to be given as to all investments in affiliates as of the close of the period. See captions 10, 13, and 20 of rule 6-22. List each issue and group separately (1) investments in majority-owned subsidiaries, segregating subsidiaries consolidated; (2) other controlled companies; and (3) other affiliates. Give totals for each group. If operations of any controlled companies are different in character from those of the registrant, group such affiliates within divisions (1) and (2) by type of activities.

(b) *Changes during the period.*—If during the period there has been any increase or decrease in the amount of investment in any affiliate, state in a footnote (or if there have been changes as to numerous affiliates, in a supplementary schedule) (1) name of each issuer and title of issue; (2) balance at beginning of period; (3) gross purchases and additions; (4) gross sales and reductions; (5) balance at close of period as shown in column C. Include in such footnote or schedule comparable information as to affiliates in which there was an investment at any time during the period even though there was no investment in such affiliate as of the close of such period.

<sup>2</sup> Indicate any securities subject to option at the end of the most recent period and state in a footnote the amount subject to option, the option prices, and the dates within which such options may be exercised.

<sup>3</sup> If the cost in column C represents other than cash expenditure, explain.

<sup>4</sup> (a) Columns C, D, and E shall be totaled. The totals of columns C and D should agree with correlative amounts required to be shown by the

related balance sheet captions. State in a footnote the aggregate cost for Federal income tax purposes.

(b) If any investments have been written down or reserved against by such companies pursuant to rule 6-21-6, indicate each such item by means of an appropriate symbol and explain in a footnote.

<sup>5</sup> State the basis of determining the amounts shown in column D.

<sup>6</sup> Show in column E (1) as to each issue held at close of period, the dividends or interest included in caption 1 of the profit and loss or income statement. In addition, show as the final item in column E (1) the *aggregate* dividends and interest included in the profit and loss or income statement in respect of investments in affiliates not held at the close of the period. The total of this column should agree with the amounts shown under such caption. Include in column E (2) all other dividends and interest. Explain briefly in an appropriate footnote the treatment accorded each item. Identify by an appropriate symbol all non-cash dividends and explain the circumstances in a footnote. See rules 6-22-2 and 6-23-1.

<sup>7</sup> The information required by column F need be furnished only as to controlled companies. The equity in the net profit and loss of each person required to be listed separately shall be computed on an individual basis. In addition, there may be submitted the information required as computed on the basis of the statements of each such person and its subsidiaries consolidated.

**Rule 12-37. Mortgage Loans on Real Estate and Interest Earned on Mortgages.<sup>1</sup>**  
(For Face-Amount Certificate Investment Companies)

Part 1—Mortgage loans on real estate at close of period						Part 2—Interest earned on mortgages	
Column A	Column B <sup>2</sup>	Column C	Column D		Column E	Column F	Column G
			Amount of principal unpaid at close of period				
			(1)	(2) Subject to delinquent interest <sup>4</sup>			
List by classification indicated below <sup>2 3 7</sup>	Prior liens	Carrying amount of mortgages <sup>9 9 10 11</sup>	Total		Amount of mortgages being foreclosed	Interest due and accrued at end of period <sup>6</sup>	Interest income earned applicable to period <sup>5 6</sup>
Liens on:							
Farms							
Residential							
Apartments and business							
Unimproved							
Total <sup>12</sup>							

<sup>1</sup> All money columns shall be totaled.

<sup>2</sup> If mortgages represent other than first liens, list separately in a schedule in a like manner, indicating briefly the nature of the lien. Information need not be furnished as to such liens which are fully insured or wholly guaranteed by an agency of the United States Government.

<sup>3</sup> In a separate schedule classify by States in which the mortgaged property is located the total amounts in support of columns B, C, D, and E.

<sup>4</sup>(a) Interest in arrears for less than 3 months may be disregarded in computing the total amount of principal subject to delinquent interest.

(b) Of the total principal amount, state the amount acquired from controlled and other affiliates.

<sup>5</sup> In order to reconcile the total of column G with the amount shown in the profit and loss or income statement, interest income earned applicable to period from mortgages sold or canceled during period should be added to the total of this column.

<sup>6</sup> If the information required by columns F and G is not reasonably available because the obtaining thereof would involve unreasonable effort or expense, such information may be omitted if the registrant shall include a statement showing that unreasonable effort or expense would be involved. In such an event, state in column G for each of the above classes of mortgage loans the average gross rate of interest on mortgage loans held at the end of the fiscal period.

<sup>7</sup> Each mortgage loan included in column C in an amount in excess of \$500,000 shall be listed separately. Loans from \$100,000 to \$500,000 shall be grouped by \$50,000 groups, indicating the number of loans in each group.

<sup>8</sup> In a footnote to this schedule, furnish a reconciliation, in the following form, of the carrying amount of mortgage loans at the beginning of the

period with the total amount shown in column C:

Balance at beginning of period.....	\$.....
Additions during period:	
New mortgage loans.....	\$.....
Other (describe).....	\$.....
Deductions during period:	
Collections of principal.....	\$.....
Foreclosures.....	\$.....
Cost of mortgages sold.....	\$.....
Amortization of premium.....	\$.....
Other (describe).....	\$.....
Balance at close of period.....	\$.....

If additions represent other than cash expenditures, explain. If any of the changes during the period result from transactions, directly or indirectly with affiliates, explain the bases of such transactions, and the amounts involved. State the aggregate amount of mortgages (a) renewed and (b) extended. If the carrying amount of the new mortgages is in excess of the unpaid amount (not including interest) of prior mortgages, explain.

<sup>9</sup> If any item of mortgage loans on real estate investments has been written down or reserved against pursuant to rule 6-21-6, describe the item and explain the basis for the write-down or reserve.

<sup>10</sup> State in a footnote to column C the aggregate cost for Federal income tax purposes.

<sup>11</sup> If the total amount shown in column C includes intercompany profits, state the bases of the transactions resulting in such profits and, if practicable, state the amounts thereof.

<sup>12</sup> Summarize the aggregate amounts for each column applicable to captions 6 (b), 6 (c), and 12 of rule 6-22.

**Rule 12-38. Real Estate Owned and Rental Income.<sup>1</sup>**

(For Face-Amount Certificate Investment Companies)

Part 1—Real estate owned at end of period						Part 2—Rental income			
Column A	Column B	Column C	Column D	Column E	Column F	Column G	Column H	Column I	Column J
List classification of property as indicated below <sup>2</sup>	Amount of encum- brances	Initial cost to company	Cost of improve- ments, etc.	Amount at which carried at close of period <sup>4</sup> 1917	Reserve for depre- ciation	Rents due and accrued at end of period	Total rental income applicable to period	Expended for interest, taxes, repairs, and expenses	Net income applicable to period
Farms.....									
Residential.....									
Apartments and business.....									
Unimproved.....									
Total <sup>a</sup> .....	xxxxxxx	xxxxxxx	xxxxxxx	xxxxxxx	xxxxxxx	xxxxxxx			
Rent from properties sold during period.....	xxxxxxx	xxxxxxx	xxxxxxx	xxxxxxx	xxxxxxx	xxxxxxx			
Total.....	xxxxxxx	xxxxxxx	xxxxxxx	xxxxxxx	xxxxxxx	xxxxxxx			

<sup>1</sup> All money columns shall be totaled.<sup>2</sup> Each item of property included in column E in an amount in excess of \$100,000 shall be listed separately.<sup>3</sup> In a separate schedule classify by states in which the real estate owned is located the total amounts in support of columns E and F.<sup>4</sup> In a footnote to this schedule, furnish a reconciliation, in the following form, of the total amount at which real estate was carried at the beginning of the period with the total amount shown in column E:

Balance at beginning of period.....	\$-----
Additions during period:	
Acquisitions through foreclosure.....	\$-----
Other acquisitions.....	-----
Improvements, etc.....	-----
Other (describe).....	-----
	\$-----

Deductions during period:

Cost of real estate sold.....	\$-----
Other (describe).....	-----
	\$-----

Balance at close of period.....

If additions, except acquisitions through foreclosure, represent other than cash expenditures, explain. If any of the changes during the period result from transactions, directly or indirectly, with affiliates, explain and state the amount of any intercompany gain or loss.

<sup>5</sup> If any item of real estate investments has been written down or reserved against pursuant to rule 6-21-6, describe the item and explain the basis for the write-down or reserve.<sup>6</sup> State in a footnote to column E the aggregate cost for Federal income tax purposes.<sup>7</sup> The amount of all intercompany profits included in the total of column E shall be stated if material.<sup>8</sup> Summarize the aggregate amounts for each column applicable to captions 7 and 12 of rule 6-22.

**Rule 12-39. Supplementary Profit and Loss Information.**

(For Face-Amount Certificate Investment Companies)

Column A	Column B	Column C		Column D
Item <sup>1</sup>	Charged to investment expense	Charged to other accounts		Total
		(1) Account	(2) Amount	
1. Legal expenses (including those in connection with any matter, measure or proceeding before legislative bodies, officers or government departments)				
2. Advertising and publicity				
3. Sales promotion <sup>2</sup>				
4. Payments directly and indirectly to trade associations and service organizations, and contributions to other organizations				

<sup>1</sup> Amounts resulting from transactions with affiliates shall be stated separately.

<sup>2</sup> State separately each category of expense representing more than 5 percent of the total expense shown under this item.

**Rule 12-40. Certificate Reserves.**

(For Face-Amount Certificate Investment Companies)

Column A	Column B			Column C			Column D			Column E		
	Balance at beginning of period			Additions			Deductions			Balance at close of period		
	(1) Number of ac- counts with se- curity holders	(2) Amount of ma- turity value	(3) Amount of re- serves <sup>2</sup>	(1) Charged to profit and loss or in- come	(2) Reserve pay- ments by cer- tificate holders	(3) Charged to other ac- counts— Describe	(1) Matu- rities	(2) Cash surren- ders prior to maturity	(3) Other— Describe	(1) Number of ac- counts with se- curity holders	(2) Amount of ma- turity value	(3) Amount of re- serves <sup>2</sup>

<sup>1</sup> (a) Each series of certificates shall be stated separately. The descrip-

tion shall include the yield to maturity on an annual payment basis.

(b) For certificates of the installment type, information required by columns B, D (2) and (3) and E shall be given by age groupings, according to the number of months paid by security holders, grouped to show those upon which 1-12 monthly payments have been made, 13-24 payments, etc.

<sup>2</sup> (a) If the total of the reserves shown in these columns differs from the total of the reserves per the accounts, there should be stated (i) the aggregate difference and (ii) the difference on a \$1,000 face-amount certificate basis.

(b) There shall be shown by footnote or by supplemental schedule (i) the amounts periodically credited to each class of security holders' accounts from installment payments and (ii) such other amounts periodically credited to accumulate the maturity amount of the certificate. Such information shall be stated on a \$1,000 face-amount certificate basis for the term of the certificate.

**Rule 12-41. Qualified Assets on Deposit.<sup>1</sup>**

(For Face-Amount Certificate Investment Companies)

Column A		Column B	Column C	Column D	Column E	Column F
Name of depository <sup>2</sup>		Cash	Investments in securities	First mortgages and other first liens on real estate	Other	Total <sup>3</sup>

<sup>1</sup> All money columns shall be totaled.<sup>2</sup> Classify names of individual depositories under group headings, such as banks and states.<sup>3</sup> Total of column F shall agree with note required by caption 11 of rule 6-22 as to total amount of qualified Assets on Deposit.

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